



2019-20 TCS – APPENDIX I

Port User and other stakeholder consultation

31 May 2019



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Abbreviations and acronyms

Abbreviation / acronym	Description
ACCC	Australian Competition and Consumer Commission
EOI	Expression of interest
ESC	Essential Services Commission of Victoria
GIP	Global Infrastructure Partners
PDS	Port Development Strategy
PoM	Port of Melbourne
PRSN	Port Rail Shuttle Network
QIC	Queensland Investment Corporation
Rail Project	Port Rail Transformation Project
RAS	Rail Access Strategy
RTO	Rail Terminal Operator
TCS	Tariff Compliance Statement
TEU	Twenty-foot equivalent unit
VICT	Victoria International Container Terminal
VTA	Victorian Transport Association

1. Purpose and structure of this document

Stakeholder engagement is fundamental to Port of Melbourne's (PoM)¹ operations. PoM considers stakeholder engagement to be not just a means to an end but rather a core operational value that is integral to the provision of its Prescribed Services, which are part of a dynamic international port freight supply chain.

This document:

- details PoM's engagement activities in 2018-19, and
- summarises what PoM heard from Port Users and other stakeholders in these engagement activities and PoM's response to this feedback.

In 2018-19, PoM has undertaken engagement in the following broad areas:

- targeted engagement on its:
 - business plans, which it is reflecting into its Port Development Strategy (PDS), and
 - Port Rail Transformation Project (Rail Project).

PoM will publish both of these documents later in 2019.
- broad business engagement about the markets that are relevant to PoM's Prescribed Services and tariffs.

The remainder of this document is structured as follows:

- section 2 details the Port Users and other stakeholders with whom PoM has engaged in 2018-19
- section 3 details the nature of the engagement activities that PoM has undertaken, and
- section 4 details what PoM has heard from Port Users and other stakeholders and how it has, and will, respond.

This document forms part of the 2019-20 Tariff Compliance Statement (TCS) to the Essential Services Commission of Victoria (ESC) for the period 1 July 2019 to 30 June 2020 (2019-20).

¹ The Port of Melbourne Consolidated Group. The PoM Group shareholders comprise Queensland Investment Corporation (QIC), Future Fund, Global Infrastructure Partners (GIP) and OMERS.

2. PoM’s Port Users and other stakeholders for Prescribed Services

PoM has two types of Port Users – direct Port Users and indirect Port Users.

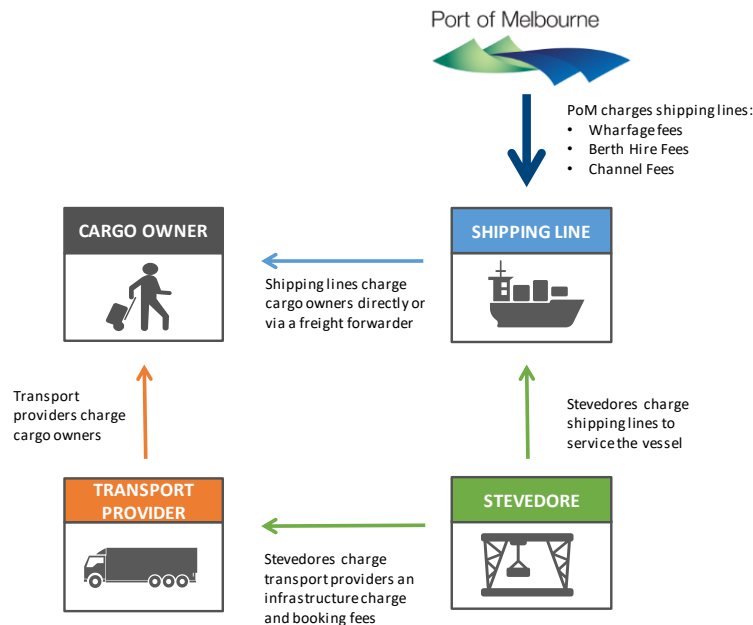
All of PoM Prescribed Services’ tariffs are levied on shipping lines, who are direct Port Users.

Stevedores², transport providers, cargo owners and freight forwarders are all examples of indirect Port Users because they rely on PoM’s Prescribed Services, but they do not directly pay Prescribed Services’ tariffs:

- stevedores recover their total costs based on commercial arrangements with shipping lines and transport providers. The Australian Competition and Consumer Commission (ACCC) monitors these stevedore charges and publishes an annual report. The Victorian Government is currently reviewing the recent rebalancing of stevedore charges away from shipping lines towards transport providers, and
- shipping lines and transport providers both charge cargo owners directly, or freight forwarders acting for cargo owners, for their services.

Figure 1 illustrates the relationship between PoM and direct and indirect Port Users for the provision of Prescribed Services.

Figure 1: PoM’s relationships with Port Users for Prescribed Services



As well as Port Users, there are other stakeholders that are exposed to, and or impacted by, the Port. These include the Victorian community, local residents, industry associations, the Victorian, Tasmanian and Federal governments, Victorian local governments and other interested parties.

The Rail Project has a unique set of direct and indirect Port Users, which in 2018-19 were as follows – Rail Terminal Operators (RTOs), Rail Service Providers, Intermodal Terminal Operators, Network Access Providers and Industry Associations.

² PoM leases space and facilities on Port land to stevedores, which are classified as non-Prescribed Services.

3. PoM’s engagement activities

PoM actively engages its stakeholders to inform them about its operations and to allow them to provide their views and perspectives on PoM’s plans for the future.

Table 1 shows that, consistent with its commitment to working collaboratively with Port Users and other stakeholders, PoM has expanded its engagement activities over the past three years.

Table 1: Invitations, acceptances and attendance – engagement activities

Port Users and other Stakeholders	2017-18	2018-19	2019-20
Invited to participate	171	655	1,222
Accepted invitations	84	533	758
Attended the engagement activities	68	230	878

Note – Attendance in 2019-20 is higher than accepted invitations indicating that those who accepted invitations also invited their colleagues to attend

The remainder of this section details PoM’s engagement activity in the three broad topic areas that it focussed on in 2018-19 – the PDS, the Rail Project and broad business engagement.

3.1 PDS

The PDS sets out a roadmap for the future of the Port. It outlines the high-level plans and approach for developing the capacity and efficiency of the Port over the next 30 years, through to 2050, while also providing a planning framework which is adaptable and responsive to changing needs over time.

In September 2018, PoM released the *2050 Port Development Strategy Discussion Paper*. This invited input from communities surrounding the Port, industry stakeholders and local government on:

- the key factors and drivers likely to guide decision making around the nature, timing and scale of growth and investment required at the Port, and
- the challenges and opportunities for consideration in planning for the Port’s future.

PoM incorporated the outcomes of this engagement into a version of the PDS that it submitted to the Minister for Ports in December 2018.

PoM expects to release the PDS for public exhibition in the second half of 2019, before finalising it by the end of the year.

In addition to seeking input on the Discussion Paper, PoM held 19 tailored information events and drop-in sessions with community, industry and local, State and Federal government stakeholders about the PDS between August and October 2018. Through this engagement, PoM gained feedback and undertook analysis on the following key issues:

- the Port’s urban location, its land and facilities
- trade demand and the Port’s role as a trade gateway
- the critical role of the Port in the Victorian and national economies
- the need for safe and reliable shipping channels to cater for changing vessel numbers and sizes
- transporting freight to and from the Port, and
- surrounding land uses and environmental responsibilities.

Table 2 details the nature of the events and sessions that PoM undertook in 2018-19 and the participants that were involved.

Table 2: PDS engagement activities

Activity	Participants	Involvement
Port tenant forum	Representatives from 16 port tenants and agencies	20
Industry information events	Representatives from 9 Melbourne-based shipping lines	9
Industry Port Access Forum	Representatives from 45 tenants, cargo interests, stevedores, shipping lines and local and State government organisations	56
Industry information events	Representatives from 11 intermodal operators	11
Industry information events	Representatives from 12 non-containerised trade companies	14
Stevedore tenant meeting	One-on-one meeting with Patrick Terminals	2
Community drop-in sessions	Yarraville community members (City of Maribyrnong) Williamstown, Newport, Spotswood community members (City of Hobsons Bay) Port Melbourne community members (City of Port Phillip) Docklands community members (City of Melbourne)	14
Industry information events	Representatives from 6 Melbourne-based cargo interests	6
Industry information events	Representatives from 5 port and freight industry associations	5
Industry intermodal meeting	Industry intermodal participant	3
Industry information events	Representatives from 14 Sydney-based shipping lines	18
Industry information events	Representatives from 4 Sydney-based cargo interests	4
Forum for neighbouring city councils	Representatives of the cities of Hobsons Bay, Maribyrnong, Melbourne and Port Phillip	7
Industry information events	Representatives from 14 freight forwarders and cargo interests, State and Federal government organisations from Hobart	14
Industry information events	Representatives from 16 freight forwarder, cargo interests, State and Federal government organisations from Launceston	16
Victorian Government information event	Representatives from 8 agencies and departments	12
Online survey	Open to all	6
Hard copy survey	Open to all	2

3.2 Rail Project

Stakeholder awareness of, and understanding and support for, the Rail Project are essential to successfully achieving the Project's desired outcome, being mode shift from road to rail through the delivery of improved infrastructure and industry reform.

PoM consulted extensively with industry during the development of both the Port Rail Strategy and the Port Rail Shuttle Network (PRSN) expression of interest (EOI) consultation in order to develop a practical rail solution that addressed industry concerns about access, service levels and pricing.

PoM's engagement activities have included the following:

- **RTOs** – they are key service providers in the Rail Operating Framework and PoM has been engaging closely with this group on their specific commercial and operational imperatives. Three RTOs are working with PoM to establish a commercial operating framework.
- **Industry and Supply Chain:**
 - **Rail Service Providers** – PoM's engagement has centred on the operating framework including Port Rail access terms and conditions and dispute resolution. The aim has been to confirm that the Project addresses this group's issues around open access, pricing transparency, and service level requirements, and to ascertain whether there are any gaps in the Project that would prevent them from efficiently running trains into the Port.
 - **Intermodal Terminal Operators** – PoM's engagement has focussed on the commercial and operating framework and service standards that will complement their business operations.
- **Network Access Providers** – PoM's engagement has sought to ensure there are sufficient paths available in the rail network outside the Port gate to support port rail movements in and out of the Port. These providers support short-haul trains in addition to the long haul trains that currently come into the Port.
- **Industry Associations** – engagement has focussed on ensuring that these associations understand the scope of the Rail Project, how it will benefit their membership bases, as well as confirming PoM's understanding of their members' needs and issues.

There is extensive support for the Rail Project amongst these Port Users and other stakeholders.

Attachment 1 details how PoM has engaged with 34 different stakeholders in the following components of the Rail Project:

- Rail Access Strategy (RAS) consultation
- PRSN EOI consultation
- Port Rail Solution consultation
- project delivery term sheet
- operating agreement / service standards, and
- Pricing Order amendments.

3.3 Broad business engagement

PoM has undertaken extensive consultation with Port Users and other stakeholders during 2018-19 on a broad range of matters relevant to the provision of its Prescribed Services, which has informed PoM's day-to-day business operations as well as the development of the TCS.

This consultation has been led by PoM's Executive Team and has been tailored for individual stakeholders by:

- using different types of events

- meeting in locations convenient to stakeholders across Victoria, NSW and Tasmania, including in regional centres such as Wagga Wagga, Griffith and Launceston, and
- covering matters relevant to different stakeholders’ needs and interests.

Table 3 details the broad business engagement activity that PoM has undertaken in 2018-19.

Table 3: Broad business engagement activity

Event type	Location	Stakeholders	Scope / coverage
Workshop	Launceston	Tasmanian Port Users	PDS, Tasmania update, TCS
Stakeholder lunch	Sydney	Cargo owners	PDS, Port Rail Strategy, Trade update, TCS
Boardroom meeting	Melbourne	Industry associations	PDS, Port Rail Strategy, Trade update, TCS
Workshop	Melbourne	Intermodal	PDS, Port Rail Strategy, Trade update, TCS
Workshop	Griffith/Wagga Wagga	NSW Port Users	Port Rail Strategy, Riverina update, TCS
Meeting	Griffith/Wagga Wagga	NSW Port Users	Port Rail Strategy, Riverina update, TCS
Workshop	Melbourne	Shipping Lines	PDS, Port Rail Strategy, Trade update, TCS
Workshop	Melbourne	Cargo owners	PDS, Port Rail Strategy, Trade update, TCS
Workshop	Hobart	Tasmanian Port Users	PDS, Tasmania update, TCS
Workshop	Albury	Port Users based in NSW	Port Rail Strategy, Riverina update, TCS

4. Port Users and other stakeholders' input and PoM's responses

This section details PoM's responses to the matters raised by Port Users and other stakeholders in the 2018-19 engagement activity discussed above and the actions that PoM has taken, or is taking, in response.

This section is structured by the PDS, the Rail Project and broad business engagement. There is a focus on larger vessels as a subset of the PDS.

4.1 PDS

The key themes presented by Port Users and other stakeholders through the engagement on the PDS, including the *2050 Port Development Strategy Discussion Paper*, were as follows:

- recognition:
 - of the Port's role in the state and national economies
 - that trade growth may also bring increased challenges for land use and development around the Port precinct, with effects on local communities, and
 - of increased pressure on the metropolitan road network, resulting in congestion and safety risks, concerns about health impacts from truck emissions and noise, and conflicts around access to open space along the Yarra River.
- support for:
 - developing long term plans that respond to growth and the changing nature of trade to provide certainty for future industry investment
 - the Port operating as efficiently as possible, with environmental sustainability in mind
 - ensuring the efficiency of Port land use and cargo operations, along with external measures to minimise the impact of additional truck movements through the network to manage the impacts of growth
 - increasing the freight to be transported by rail
 - implementing a coordinated approach amongst PoM, Victorian Government agencies and industry to shape responses to shared problems such as road network congestion, protection of freight corridors from encroaching development, and land use planning near the Port precinct, and
 - PoM maintaining public access to riverside land and recreational boating facilities, and to improving riverside land through maintenance and investment in facilities such as sporting grounds.

PoM had regard for these matters in the version of the PDS that it submitted to the Minister for Ports in December 2018, including its high-level plans and approach for developing the capacity and efficiency of the Port over the next 30 years.

PoM will address feedback from the Minister for Ports in the public exhibition version of the PDS that PoM will publish in the second half 2019. PoM will invite Port Users and other stakeholders to provide feedback on this public exhibition version of the PDS. PoM will then have regard for this further feedback in finalising the PDS by the end of 2019.

4.2 Larger vessels

Container vessels using the Port are growing in size and capacity. This is in line with growth in the Victorian and Australian populations and economies and with changes in the global shipping fleet. Larger container vessels are therefore gradually accounting for a greater share of visits to the Port, as their smaller counterparts gradually

decrease. The average size of a container vessel in 2007- 08 was 2,460 TEU, compared with 4,176 TEU in 2017-18. Container vessels continue to account for the greatest number of visits, with 1,099 visits to the Port in 2017-18. Pure Car Carriers accounted for 409 visits. PoM is forecasting:

- an increase of around 50 per cent between 2018 and 2050 in the annual number of commercial vessels visits to the Port (excluding vessel visits to Station Pier), with around 4,100 vessel visits per annum expected in 2050 (compared to around 2,700 vessel visits in 2017-18). In 2050, this equates to around 11 commercial vessel visits every day to the Port (excluding vessel visits to Station Pier), up from seven commercial vessel visits per day in 2017-18
- all commercial vessel types will continue to grow through to 2050 with the largest growth numbers forecast for Tasmanian RoRo vessels (up around 500 vessel visits), container vessels (up about 350 vessel visits) and automotive / PCC vessels (up about 300 vessel visits), and
- the size of commercial vessels visiting the Port will grow over the next 30 years with the largest growth forecast in container vessels (the largest expected to be 14,000 TEU vessels by 2050) and Tasmanian RoRo vessels (with 900 TEU vessels by 2050).

PoM's engagement with Port Users and other stakeholders to inform its PDS focussed on the implications of the growth in larger vessels. This engagement highlighted Port Users and other stakeholders':

- recognition that larger vessels will arrive at the Port, although there is a low awareness of the specific changes this may generate
- desire for the Port channels and wharves at Webb, Swanson and Appleton Docks to accommodate larger vessels including for Bass Strait trade. Port Users and other stakeholders expressed concerns about the risks to their businesses and the Port's position in Australia and globally, if these wharves cannot accommodate larger vessels
- support, particularly from shipping lines and terminal operators, to upgrade infrastructure for larger container vessels
- support for protecting marine and land environments in planning to accommodate larger vessels, and
- desire, particularly from community groups and Local Government, to protect recreational vessel facilities on the Yarra and Maribyrnong Rivers (including The Punt) and to plan to accommodate increased recreational services including ferry services, including The Westgate Punt as a connection to the Fishermans Bend Employment Precinct, and boating access within the Maribyrnong River.

PoM has recently:

- completed a phased trial implementation process for the deployment and handling of larger vessels into Webb Dock East Berths 4 and 5
- undertaken navigational simulations and hydrodynamic analysis
- commenced construction works for new 150 tonne bollards to be fitted to Swanson Dock East and West on berth 3, enabling the wharf infrastructure to cater for vessels up to 140,000 tonne displacement, and
- agreed to an implementation program timing for mooring infrastructure and berthing assistants between Swanson Dock Terminal Operators.

PoM is working collaboratively with the Harbour Master, shipping lines and stevedores to better understand the full range of container vessels that will be able to visit the Port into the future. Further assessment is required to fully understand the opportunities and challenges presented by operating larger container vessels at both Swanson and Webb Docks.

4.3 Rail Project

PoM met with 34 stakeholder entities in 2018-19, including RTO's, industry and supply chain participants, industry associations and peak bodies, as well as community and government, to inform the development of a *Port Rail Transformation Project* (Rail Project). The objective of the Rail Project is to increase the rail mode share for transporting containers to and from the Port. The delivery of the Rail Project will require approval from the Victorian Government, principally to implement the funding model to allow PoM to recover the cost of the investment through an increase in its Prescribed Services' tariffs.

At the time of finalising this TCS, the Victorian Government is still considering PoM's proposal for the Rail Project.

Many Port Users and other stakeholders have been pushing for a consolidated and comprehensive on-dock rail solution for several years. They have provided significant support for the Rail Project and acknowledge that PoM's proposal will:

- facilitate necessary industry reform and provide a more competitive environment, and
- deliver rail and port side infrastructure and productivity improvements, and in turn the flow on benefits to port users, industry and the Victorian and Australian economies.

Stevedores/Terminal Operators Support and Confidence on our approach

PoM has engaged closely with its key tenants. Three RTOs have provided support the Rail Project and each of them is engaged in the establishment of a commercial operating framework.

Industry Support

Most industry participants support the logic and benefit of the Rail Project. PoM sought their feedback on the rail operating framework, taking into consideration access arrangements, service levels and pricing structures.

Across the board, stakeholders recognise the opportunities the Rail Project will provide them. PoM discussed with stakeholders the potential reallocation of costs along the supply chain as a result of the proposed funding model. For the most part, stakeholders accepted the need for, and basis of, the proposed increase required to fund the investment, although they were interested in understanding:

- PoM's proposed funding model – the level of the increase in full import containers needed to recover the investment cost over the term of the Port lease;
- the basis of its application – it will be charged to shipping lines, as this is PoM's only direct financial relationship. It will be charged on full import containers only; and
- whether there is precedent elsewhere – PoM notes that another Australian port recently announced a similar model for the upgrade of rail infrastructure.

Peak Bodies and Community Support

The Peak Bodies were supportive of the Rail Project. There was general acknowledgement that the new infrastructure will increase productivity and eliminate terminal transfer costs that will in turn reduce costs to market.

There has been some recognition that importers will receive less benefit in the short term as they will likely have to carry a portion of the increased wharfage costs.

The Peak Bodies acknowledge the flow on impact from a community and economic development perspective, including the environmental and amenity benefits (such as trucks off roads and fewer emissions) and efficiency and capacity improvements that will benefit Victoria's economic development agenda.

Future stakeholder engagement

PoM will continue to implement a program of stakeholder engagement to ensure that all stakeholders are informed on progress with rail improvements at the Port.

4.4 Broad business engagement

PoM and Port Users and other stakeholders discussed a wide range of issues as part of PoM's broad business engagement, in addition to the PDS, larger vessels and the Rail Project that are discussed above. Key other issues, included:

- tariff rebalancing – Port Users and other stakeholders questioned PoM's intentions in relation to future rebalancing of Prescribed Services' tariff. PoM explained that it will engage with Port Users and other stakeholders in the second half of 2019 to assess whether there is a case for tariff rebalancing.

If there is a case for tariff rebalancing then PoM will prepare a tariff rebalancing application, which it will lodge with the ESC by 31 December 2019. Any such application will:

- be informed by Port Users and other stakeholders' input
 - comply with the requirements of the Pricing Order, and
 - be subject to the ESC's approval.
- innovation – Port Users and other stakeholders questioned what innovation PoM was undertaking to address emerging trends in supply chain management. PoM indicated that its major innovation initiatives in its 2019-20 capital expenditure program will focus on:
 - accommodating larger vessels – marine infrastructure investments will include the Swanson Dock Bollards and the planning for quay length at Webb Dock
 - improving the competitiveness of rail – this will be delivered through the Rail Project discussed above, and
 - manage the growth in demand for liquid bulk – PoM will invest in a business case to fully assess investments in additional liquid bulk capacity to meet the increased demand for liquid bulk and to adapt to changing consumer uses.

Attachment 2 of the TCS General Statement discusses PoM's capital expenditure program for 2019-20 in further detail.

- drought – Port Users and other stakeholders highlighted the current, and potential future, impact of drought on agricultural production. BIS Oxford's trade volume forecasts have regard for the impact of prolonged drought conditions. PoM has entered into special tariff and infrastructure arrangements with certain Port Users to accommodate lower export, and higher import, volumes in Victoria and NSW. PoM will continue to consider the potential implications of drought conditions as part of its review of tariff rebalancing in 2019.
- stevedore charges – Port Users and other stakeholders expressed concern about the recent restructure of these charges, away from shipping lines and towards landside transport operators. PoM explained that stevedores set their charges on a commercial basis to recover their total costs, although:
 - these charges are subject to annual monitoring by the ACCC, and
 - Freight Victoria is undertaking a review of these charges.

PoM does not charge stevedores for its Prescribed Services, although PoM does charge stevedores rent for land and facilities, which is a non-Prescribed Service. Port Users and other stakeholders therefore acknowledge that Prescribed Services' tariffs are not a key driver of the restructure/rebalancing of stevedores' charges.

Attachment 1 – Rail project engagement

Stakeholder Classification	RAS Consultation	PRSN EOI Consultation	Port Rail Solution Consultation	Project delivery terms sheet	Operating agreement/service standards	Pricing Order amendments
Port Rail Terminal Operator/ International Container Terminal (Consortium Partner)	✓	✓	✓	✓	✓	✓
Port Rail Terminal Operator/ International Container Terminal	✓	✓	✓			
Port Rail Terminal Operator / Rail Service Provider	✓	✓	✓	✓	✓	✓
Port Rail Terminal Operator	✓	✓	✓	✓	✓	✓
Port Rail Terminal			✓	X*	✓	✓
International Container Terminal	✓	✓	✓	✓	✓	✓
Intermodal Terminal Operator	✓		✓	✓	✓	✓
Intermodal Terminal Operator	✓	✓	✓	✓	✓	✓
Intermodal Terminal Operator / Rail Service Provider	✓	✓	✓	✓	✓	✓
Rail Service Provider / Regional Terminal Operator	✓	✓	✓	✓	✓	✓
Rail Service Provider	✓	✓	✓	✓	✓	✓
Rail Service Provider	✓	✓	✓	✓	✓	✓
Network Access Provider			✓	✓	✓	✓
Rail Service Operator			✓	✓	✓	✓
Rail Service Operator			No response			
Network Access Provider	✓	✓	✓	✓	✓	✓
Network Access Provider	✓	No response	No response			

Stakeholder Classification	RAS Consultation	PRSN EOI Consultation	Port Rail Solution Consultation	Project delivery terms sheet	Operating agreement/service standards	Pricing Order amendments
Network Access Provider	✓	✓	✓	✓	✓	✓
End user (Import dominant)			✓	✓	✓	✓
End user (Import dominant)			✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	Via VTA			
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Industry Association	✓	✓	✓	✓	✓	✓
Peak Body	✓	✓	✓	✓	✓	✓
Peak Body			✓	✓	✓	
Peak Body			✓	✓	✓	✓
Peak Body			✓	✓	✓	✓