



1st Feb 2021

STRICTLY PRIVATE AND CONFIDENTIAL

Essential Services Commission

Level 8, 570 Bourke Street
Melbourne Victoria 3000
(Sent by email)

Dear All,

Port of Melbourne Rebalancing Application Review 2021

Thank you for the opportunity to provide comments on the Port of Melbourne rebalancing application. ANL along with our parent company (CMA CGM) are a major user of the Port of Melbourne (PoM) carrying a large share of the containerised cargo that passes through the Port. This cargo is carried on behalf of the many importers and exporters that are our customers and whose businesses contribute significantly to the ongoing prosperity of Victoria. They rely on us to provide efficient and cost-effective shipping services which in turn relies on the efficient cost of the Port of Melbourne.

Please find attached our submission to PoM as part of their consultation process. In addition to the content of our submission we would like to make the following comments;

1) Investment to facilitate larger vessels

We strongly support the investment by the PoM to facilitate larger vessels. The trend to larger vessels will continue and needs to be addressed by the PoM.

2) Tariff Rebalancing

We are of the view that the any tariff changes should be focused on cargo-based charges i.e. wharfage. This principle of charging is well established, transparent and understood by the shipper community.

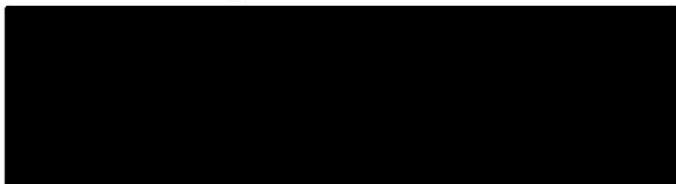
CMA CGM
GROUP



In terms of the 2-tier wharfage structure based on vessel size as proposed by the PoM, our preference is to continue the current single tier approach. The level of wharfage that applies across the port is regardless of vessel size and landside facility used, it is not a function of the individual investments that have been made in the past.

We look forward to further discussion.

Yours Sincerely,



General Manager
Business Development & Inland Business
Company Secretary
ANL Container Line Pty Ltd



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Response to Stakeholder Consultations

Submission By:

Chris Schultz
General Manager
Business Development and Inland Business
ANL Container Line Pty Ltd

7th October 2020



1. Introduction

ANL are part of the CMA CGM Group, one of the largest container lines in the world with a long history calling the port of Melbourne. ANL and CMA CGM are not only major port users, ANL with its head office in Melbourne has a very long history and major links with the Port of Melbourne.

2. Tariff Rebalancing Consultation

We appreciate the chance to participate in discussion on the future developments in the port and the proposed pricing mechanism not just for ourselves as the shipping line but also for our customers.

Investment need

PoM has identified a need to invest in providing services to ‘larger vessels’ (i.e. vessels that exceed the port design vessel of 300m LOA by 40m beam) and outlined an investment program comprising recent and planned investments.

- 1) Do you agree on the drivers for, and approach to, PoM’s investments to facilitate larger vessels?

Comment:

The need for all ports around the world to keep pace with increasing vessel size is well known and is nothing new. In the case of Melbourne this was identified as a priority in all the Port Development Plans over the last 20 years plus. In terms of the current proposals we support the investment by the PoM to accommodate larger vessels.

Rebalancing objectives

PoM’s objectives in rebalancing tariffs are to support cost recovery, provide efficient pricing signals, and support trade growth and competitiveness of the port.

- 2) Are the rebalancing objectives appropriate?
- 3) Should PoM have regard to or consider other objectives?

Comment:

We are of the view that the notion of cost recovery needs to be looked at in terms of what level of capital expenditure would be “normal” by a port operator in the normal course of business. The requirements to invest in facilities was well known at the time of the port lease transaction and therefore not new. As to objectives of the PoM we agree they should be to support trade growth and competitiveness of the port along with providing “value for money” for the trade community and the broader economy of the state.

Tariff structure and design

Rebalancing tariffs towards high-growth services provides incremental revenue to fund investment. To promote efficient use of, and investment in, services to larger vessels, PoM has proposed an increase in the wharfage fee for containerised imports on larger vessels.

- 4) Should cost recovery target larger vessels, or should costs be recovered more broadly from other Port Users (i.e. from vessels that do not meet the 'larger vessel' definition)?
- 5) Is the definition of a 'larger vessel' (any vessel exceeding 300m LOA or 40m beam) appropriate? Are there alternative definitions PoM should consider?

Comment:

We are not in favour of having a multi-tier approach to wharfage in relation to vessel size as the charge is not specifically related to investment in the future but recovery of cost over many decades.

Indicative tariff levels

Under the rebalancing approach, an increase in any one tariff must be balanced by an equivalent decrease in another tariff (weighted by historical revenues from each tariff).

- 6) Is the increase in the 'larger vessels' tariff justified given the level of investment and operational savings to larger vessels?
- 7) Is the reduction in export tariffs likely to assist trade growth?

Comment:

We don't consider a "rebalancing" is in fact necessary. The PoM needs to ensure that the port remains cost competitive and tries to facilitate growth in exports which are very cost sensitive as to whether cargo is exported at all and in some locations which port is chosen.

Implementation and transaction costs

In rebalancing tariffs, PoM's intention is to minimise transaction and administrative costs to the industry.

- 8) Are cargo-based charges (wharfage fees levied per TEU) preferred over vessel-based charges (channel fees levied on gross registered tonnage (GT))?
- 9) Are there administrative challenges (i.e. transaction costs) for the proposal? If answered yes, please outline the challenges

Comment:

Cargo based charges, as is the established and long-standing practise, should continue as the principle is well known and accepted.

The proposal of a tiered wharfage system according to vessel size adds another level of complexity to setting rates across a range of shipping services as well as dealing with changes in vessel fleet composition.

Port User
response

PoM understands that larger vessels can create efficiencies in shipping costs and that shipping lines will benefit from investments that support the use of larger vessels.

10) How might shipping lines and/or cargo owners respond to the changes in tariffs being considered?

11) Is an increase in the larger vessels wharfage tariff of the magnitude being contemplated (\$10-\$20 per TEU) likely to deter shipping lines from deploying larger vessels?

Comment:

The size of vessel deployed in any service is a complicated question with many variables including possible partnerships, vessels available i.e. owned vessels cascading from other service plus overall market supply (a function of new buildings 15-20 years ago), overall trade flows and market conditions. Yes, there can be cost efficiencies in operating larger vessels, but they only appear if the vessels are consistently full. In addition, the history of shipping shows that often market forces can lead to these efficiency gains are being passed to customers. The increase proposed may, coupled with uncertainty of pass through to customers, impact on vessel deployment decisions.

Stakeholder
engagement

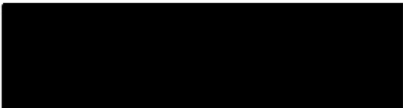
12) What is your preferred method for further engagement on this topic (e.g. attend presentation on draft proposal / emailed draft proposal for comment / other – please specify)?

Comment:

We would prefer a detailed proposal in advance of a presentation to discuss.

We are available for further discussion at any time.

Chris SCHULTZ
General Manager Business Development & Inland Business
Company Secretary
ANL Container Line Pty Ltd


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