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Executive General Manager Commercial
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Attention: Caryn Anderson

By email: rts@portofmelbourne.com

SAL Submission on Industry Information Paper - 2014/15 PoMC Reference Tariff Schedule - Review

1. Shipping Australia Ltd (SAL) is a peak shipowner association with 35 member lines and shipping agents and with 50 corporate associate members, which generally provide services to the maritime industry in Australia. Our member Lines are involved with over 80% of Australia's international container trade and car trade as well as over 70% of our break bulk and bulk trade. A number of our members are also actively engaged in the provision of coastal cargo services to Australian consignors and consignees. A major focus of SAL is to promote efficient and effective maritime trade for Australia whilst advancing the interests of ship owners and shipping agents in all matters of shipping policy and safe environmentally sustainable ship operations. SAL also provides secretariat services to the many liner companies and agencies that are members of conferences, discussion agreements, consortia and joint services that have their agreements registered under Part X of the Australian Competition and Consumer Act, 2012 (C[th]). These agreements specifically seek to facilitate and encourage growth of Australia's international liner shipping trades.

2. SAL is pleased to provide comment on the PoMC Industry Information Paper.

Regulation and Potential Sale of the Port of Melbourne

3. SAL will be pleased to consult with the Essential Services Commission review relating to a review of the price monitoring determination. Two relevant matters that come to mind, given the stated Government and Opposition policies of privatising the port, are that:

- the ongoing arrangements for the recovery of the Channel Deepening Levy need to be clearly separated from any privatised port operation and revenue stream and not extended past the current end date, and

- The Port Licence Fee needs to be clearly specified as an existing obligation to government and separated from the port owner's revenue stream prior to privatisation and thus avoid the type of ambiguity and double charging that surrounded the Port Logistics Charge following the privatisation of the Port of Botany.

Price Escalation

4. PoMC's approved pricing policy of CPI + 1.5% is out of step with economic reality in the commercial world, historically exceeds other major ports and is likely lead to further comparative loss of trade, negating potential returns from increased tariffs. Upward movement on charges should be capped at CPI and a focus put on delivering operational efficiencies to reduce costs and increase POMC's return on cost of capital to required levels.

5. Certainly, even under the current approved pricing policy, any increase above CPI + 1.5% should not be contemplated.

Port Licence Fee

6. SAL has commented extensively on the PLF (Ref: SAL13120) and recognises that this is a Government policy matter. The clear separation of this charge from the revenue stream of the port is essential when considering privatisation (see para 3 above). The PLF should be hypothecated to Government infrastructure investment that directly supports trade through the port.

Channel Deepening Project Infrastructure levies

7. SAL supported the decision last year not to apply CPI to the CDP infrastructure levy as rates of recovery were ahead of the planned schedule. SAL would not oppose a small increase (not exceeding CPI) only if rates of recovery have fallen below the planned recovery path. The fixed period of this recovery should not be extended.

Inward/outward pricing harmonisations

8. SAL notes that the matter of harmonisation of the inward/outward dry bulk and liquid bulk wharfage rates (reference SAL13120) is being pursued using a phased approach over a number of years.

Recommendation of channel fee discount reductions

9. The matter of channel fee discounts is currently complicated by the potential impact of the closure of Webb Dock for re-construction. Members consider that this closure is likely to disrupt ship schedules and have substantial cost impacts on the classes of ships which are currently subject to the discount. Unless PoMC is able to compensate operators for the economic impacts of such delays it may be fairer to delay the implementation of channel fee discount reductions until the port re-development is complete.

Empty container wharfage

10. SAL has consistently and vigorously opposed the imposition of wharfage charges on empty containers. Empty containers are effectively a component of ships equipment that enables trade but does not and cannot generate any revenue. Costs applied to this element are not recoverable and must be absorbed by the shipping company. Collectively, charges for cartage, storage and stevedoring for large numbers of empty containers being repositioned to

and from overseas ports are formidable. SAL strongly opposes wharfage charges on empty containers.

Economic environment and conclusion

11. SAL concurs that the current trading environment is subdued and exports imports to remain flat while exports will vary both seasonally and dependent on weather conditions. However, SAL also contends that the higher increases in port and related charges at Port of Melbourne over the past two years, compared with Sydney and Brisbane, are at least partially responsible for the relative reduction in volumes. Any increase above CPI + 1.5% should not be contemplated.

Yours faithfully

Rod Nairn, AM
Chief Executive Officer