

Port of Melbourne



2020-21 TCS – APPENDIX I

Port User and other stakeholder consultation

31 May 2020



This page has intentionally been left blank

Contents

Abbreviations and acronyms	iii
1. Purpose and structure of this document	4
2. PoM’s Port Users and other stakeholders for Prescribed Services	5
3. Port Development Strategy	6
4. Port Rail Transformation Project.....	8
4.1 Overview	8
4.2 Summary of PRTP engagement.....	9
5. Tariff Compliance Statement	10
6. Port Users and other stakeholders’ input and PoM’s responses	12

Abbreviations and acronyms

Abbreviation / acronym	Description
ACCC	Australian Competition and Consumer Commission
EOI	Expression of interest
ESC	Essential Services Commission of Victoria
PDS	Port Development Strategy
PoM	Port of Melbourne
PRSN	Port Rail Shuttle Network
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) operations. PoM considers effective 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 freight supply chain.

PoM continued its proactive engagement program with Port Users and other stakeholder over the course of 2019-20, which covered the following key areas:

- the 2050 Port Development Strategy (PDS), PoM's 30-year roadmap for the future development of the Port
- the Port Rail Transformation Project (PRTTP), which also forms part of the PDS, and followed on from earlier engagement on the Rail Access Strategy and Port Rail Shuttle Network, and
- consultation on the Tariff Compliance Statement (TCS) and broad business engagement, which included updates and consultation on the above projects, and sought the views of Port Users and other stakeholders on PoM's investment strategy and the 2020-21 TCS.

This document describes PoM's engagement activities during 2019-20, summarises what PoM heard from Port Users and other stakeholders in these engagement activities and PoM's response to this feedback.

The remainder of this document is structured as follows:

- section 2 provides an overview of the Port Users and other stakeholders with whom PoM has engaged in 2019-20
- section **Error! Reference source not found.** provides an overview of the engagement activities that PoM undertook in relation to the PDS
- section 6 provides an overview of the engagement activities that PoM undertook in relation to the PRTTP
- Section 5 provides an overview of the engagement activities that PoM undertook in relation to the TCS
- Section 6 provides a summary of what PoM has heard from Port Users and other stakeholders and how PoM has responded.

This document forms part of the 2020-21 TCS to the Essential Services Commission (ESC) for the period 1 July 2020 to 30 June 2021.

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.

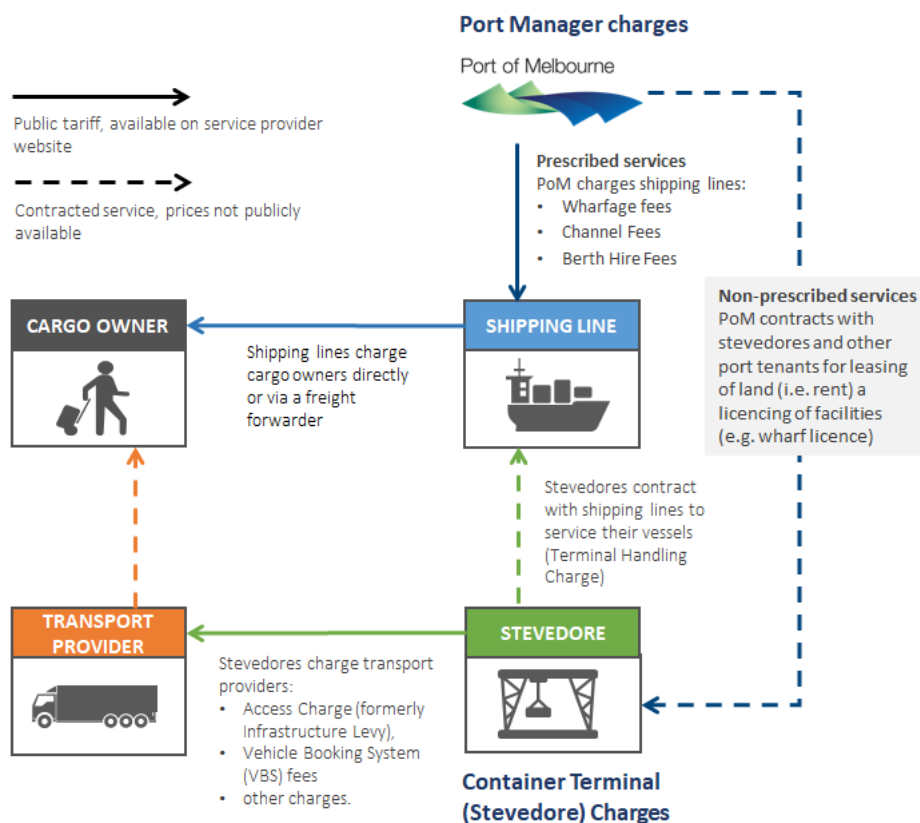
All of PoM’s tariffs for Prescribed Services are levied on shipping lines and their agents, who are direct Port Users.

Stevedores, 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 Service 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, 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 Port Rail Transformation Project (PRTP) has a unique set of direct and indirect Port Users, which include Rail Terminal Operators (RTOs), Rail Service Providers, Intermodal Terminal Operators, Network Access Providers and Industry Associations.

3. Port Development Strategy

The 30-year 2050 Port Development Strategy (2050 PDS) is PoM’s roadmap for the future development of the Port. The 2050 PDS outlines ten key projects that will improve capacity at the Port and respond to the needs of a growing Victoria. The PDS 2050 provides a framework for the next thirty years, yet it is also flexible to respond to industry trends and innovation and our evolving city. The PRTP is a key part of the 2050 PDS, and is discussed further below.

The Port of Melbourne engaged in extensive consultation with port users, local and state government, industry associations, community groups and the general public.

Two formal rounds of consultation took place and with active engagement from each stakeholder group:

- Discussion paper consultation in late 2018. Available to the public for four weeks between September and October 2018, consultation on the Discussion Paper was part of a broader eight-week consultation period involving twenty industry, local government and community workshops and drop in sessions
- Release of draft 2050 PDS for consultation in late 2019.

The Draft 2050 PDS was released on 12 November 2019 for engagement for a four week consultation period and a call for submissions. In addition to feedback during consultations, comments and submissions were received via a dedicated email address until 6 December 2019.

This consultation period was the final engagement program of the first edition of the Port Development Strategy. Leading up to the five-year review, stakeholders will be re-engaged.

How the PDS has been created



There were more than 40 engagement briefings and meetings held during the consultation period on the Draft 2050 PDS, as set out in Table 1 below.

Table 1: PDS engagement activities

Activity	Number	Comment
Boardroom Briefings	9	Week commencing 11 November for a launch date of 12 November 2020
Ministerial Meetings	3	Meetings included with the Treasurer, Minister for Ports and Minister for Roads
Internal meetings	4	Internal briefings, and business-wide engagement
External meetings off site	14	Including Local Government, Tasmanian and Southern NSW customers, and Industry Groups
One-on-one briefings	5	Briefings for Government Stakeholders including Australian Border Force, ESC, Infrastructure Victoria, Freight Victoria, and VicTrack
Community drop in	4	One in each local council area
Community groups	2	Invited to community drop in sessions (see above)

Stakeholder feedback from these meetings included:

“We need to plan together” (Industry Association)

“We need to have a shared voice on goods and people – don’t separate the conversations” (Industry Association)

“Fantastic long term vision” (Industry Association)

“If we don’t meet demand at the right pace, Melbourne will be left behind. We need as soon as possible to bring the bigger vessels. It is possible that there could be a Brisbane/Sydney/Auckland service” (Shipping line)

“It’s good to put the Port’s view out there” (Government agency)

“The Port can’t be marginalized with operations adversely impacted as it’s not good for anyone” (Government agency)

In addition, a total of 21 submissions were received from Port Users, Councils, local residents, Government Agencies, peak bodies and industry associations.

Issues raised in submissions included feedback about emissions and sustainability, trucks and traffic, the importance of rail, and balancing growth of the port with development of the CBD. Key issues related to the TCS and PoM’s responses are included in Table 5.

Further detail on the feedback received and how it has been integrated into the PDS will be included with the final 2050 PDS.

4. Port Rail Transformation Project

4.1 Overview

The Port Rail Transformation Project (PRTP), announced in January 2020, will deliver a new rail operating framework from 1 June 2020, and deliver new rail infrastructure in the port. The PRTP is designed to encourage mode shift from road to rail through improved infrastructure and industry reform. It addresses both the infrastructure and commercial frameworks necessary to enable the supply chain to grow the rail mode share.

The PRTP will be funded by an amendment to the Prescribed Service Tariff for ‘Full – inward’ container Wharfage Fees, in accordance with the Pricing Order amendment gazetted by the Government 20 May 2020.

As a complex project, engagement took place with stakeholders on multiple occasions on a range of issues. However, the core components of the proposal that PoM engaged on were:

- User requirements of a rail solution
- Hard infrastructure requirements
- Operational changes, including ownership of infrastructure assets
- Industry reform, including changes to pricing to fund the proposal and an oversight role for the Port of Melbourne.

Engagement with key stakeholders has been undertaken to inform each stage in the project’s evolution and development. These stages include:

- **Problem definition (2017).** As part of the conditions for leasing the port in 2016, PoM was required to develop a Rail Access Strategy (RAS) within the first three years of its lease period. To inform the development of the RAS, PoM commenced an internal problem definition process in 2016. This process included establishment of an expert reference group and workshops culminating in a series of findings around container terminals, port rail, train operations, freight hubs and commercial arrangements.
- **Rail Access Strategy development (2017-2018).** Two engagement approaches were taken to development of the RAS: an industry forum; and 1-1 engagement with stakeholders. The industry forum in June 2017 involved 60 stakeholders from the transport and port sector. Following the forum, PoM undertook direct engagement with seven key stakeholders, including freight operators and rail infrastructure owner stakeholders, to secure more specific feedback about their operations as well as their requirements for rail access at the port.
- **Port Rail Shuttle Network development (2018).** PoM undertook 1-1 engagement with stakeholders in 2018 to ascertain their requirements for the infrastructure required to support increase use of rail. Stakeholders engaged included regulatory and competition authorities, rail terminal operators, stevedores, transport operators and industry associations. The meetings covered capacity of the port, rail infrastructure, on-dock rail interface, train turnaround times, train paths, open access, and pricing.
- **Port Rail Transformation Project development (2018-2019).** Feedback received from its engagement to date revealed that an infrastructure solution alone would not achieve the desired mode shift outcomes. PoM undertook a final round of engagement with key stakeholders between November 2018 and March 2019. This included conversations with individual stakeholders and industry about network availability, infrastructure alignments, pricing and operations protocols. This engagement resulted in the development of the proposal submitted to the Victorian Government on 29 March 2019, which included letters of support from a range of key stakeholders, including freight operators and rail network owners.

4.2 Summary of PRTP engagement

Engagement took place with key stakeholders to gain clarity on specific issues and understand their level of support for the project.

Engagement objectives identified included:

- Ensuring key stakeholders had a clear understanding of the project
- Identifying and managing any potential stakeholder concerns or issues about the project
- Confirming ‘in principle’ support for the project (including securing letters of support)
- Providing a foundation for industry to develop aligned business models that can maximise benefits from the project.

An overview of feedback from stakeholder groups is provided in Table 2.

Table 2: PRTP consultations feedback summary

Stakeholder group	Engagement topics and outcomes
Rail Terminal Operators (RTOs)	Engaged on specific commercial and operational imperatives Feedback obtained to support establishment of Rail Operating Licence and Rail Management Agreement that reflects operators’ long-term commitment and presence at the port
Rail Service Providers	Engagement on the operating framework, including access terms and conditions, dispute resolution and licence management agreements. Engagement sought to confirm the project addresses this group’s issues around open access, pricing transparency and service level requirements. Engagement also sought to identify any potential gaps in the project that would prevent this group efficiently running trains into the port.
Intermodal Terminal Operators and Stevedores	Engagement focussed on the proposed operating framework (including willingness to pay) and service standards will complement their business operations Feedback indicated the value of a more consolidated infrastructure offering Competitiveness with operators who can access rail has been identified as an issue (noting that Webb Dock will not be serviced in the short to medium term by the PRTP)
Network Access Providers	Engagement sought to ensure there are enough paths available in the rail network outside the port gate to carry rail shuttles in and out of the port. Feedback indicated Network Access Providers are supportive of short-haul services in addition to long-haul trains that currently come into the port.
Industry Associations and other stakeholders	Support for the PRTP was at times linked to whether stakeholders had volumes transported by rail.

Key issues related to the TCS and PoM’s responses are included in Table 5.

PoM also consulted with a broad group of stakeholders on the PRTP as part of the TCS consultations in early 2020, which is covered in the next section.

5. Tariff Compliance Statement

In addition to specific engagement on the PDS 2050 and PRTP, PoM also undertook broad business engagement in early 2020 on the upcoming TCS submission, which included updates and consultation on the above projects, and sought the views of Port Users and other stakeholders on PoM's investment strategy and the key settings for the 2020-21 TCS.

Table 3 shows that, consistent with its commitment to working collaboratively with Port Users and other stakeholders, PoM has maintained a high level of engagement with Port Users and other stakeholders.

Table 3: Invitations, acceptances and attendance – engagement activities

Port Users and other Stakeholders	2017-18 TCS	2018-19 TCS	2019-20 TCS	2020-21 TCS
Invited to participate	171	655	1,222	517
Accepted invitations	84	533	758	112
Attended the engagement activities	68	230	878	136

Note – 2020-21 TCS figures relate only to the TCS consultation sessions held in early 2020, figures from other regulatory engagements such as industry discussions, port visits etc. (which are included for previous regulatory periods) are excluded.

Consultation on the TCS has covered a broad cross-section of Port Users and other stakeholders, and been delivered in locations convenient to stakeholders across Victoria, NSW and Tasmania, including in regional centres such as Wagga Wagga, Griffith, Burnie and Launceston.

Table 4 details the broad business engagement activity that PoM has undertaken in 2019-20. The workshops were tailored to each participant group, by geography and industry focus, but all broadly covered the same areas, including:

- PDS 2050
- Trade update
- PRTP
- Big ships
- TCS

Table 4: Broad business engagement activity

Event type	Location	Stakeholders
Workshop	Burnie	Tasmanian Port Users and stakeholders
Workshop	Launceston	Tasmanian Port Users and stakeholders
Workshop	Hobart	Tasmanian Port Users and stakeholders
Workshop	Sydney	Cargo owners and intermodal stakeholders
Workshop	Sydney	Shipping lines
Workshop	Griffith	Griffith / Riverina Port Users and stakeholders
Workshop	Wagga Wagga	Wagga Wagga / Riverina Port Users and stakeholders
Workshop	Melbourne	Intermodal Port Users and stakeholders

Workshop	Melbourne	Shipping lines
Workshop	Melbourne	Industry associations and cargo owners

Key issues related to the TCS and PoM’s responses are included in Table 5.

6. Port Users and other stakeholders’ input and PoM’s responses

Table 5 summarises the engagement activity PoM has undertaken, what it heard from Port Users and other stakeholders and how it has or will respond.

Table 5: What PoM has done, what it heard and how it has or will respond

Topic	PoM’s engagement activity	Port Users and stakeholders’ feedback	PoM’s response
TCS	<ul style="list-style-type: none"> - Eight engagement sessions held in February and March with all levels of industry, in Burnie, Launceston, Hobart, Sydney (2), Griffith, Wagga Wagga and Melbourne (2) - Presentation slides and key questions on the TCS provided to attendants and industry associates for comment 	<ul style="list-style-type: none"> - Queries on deferred depreciation when the TAL period finishes and impact on prices - Opportunities for tariff rebalancing raised included reducing empty container wharfage, incentives for rail use, incentives for exporters, or to address where infrastructure development disadvantaged certain trades - Feedback also included trade, operational issues, broader regulatory issues (e.g. stevedore infrastructure charges, ACCC liner class exceptions) 	<ul style="list-style-type: none"> - PoM’s principles for recovering deferred depreciation are based on minimising price impacts and volatility. - PoM commenced engaging with port users around tariff rebalancing in preparation for the 2019-20 TCS, and will continue these discussions, including as part of the big ships strategy. - PoM will continue to engage with Port Users to ensure that it is abreast of key trade developments and implications for infrastructure. PoM will also continue to engage in broader regulatory issues at the port, as they arise.
PDS	<ul style="list-style-type: none"> - The Port Development Strategy 2050 (2050 PDS) was released in draft on 12 November 2019. A four week consultation period took place. Comments and submissions were received via a dedicated email address until Friday December 6 2019 - There were more than 40 engagement briefings and meetings held during the consultation period, including with Community groups and Local Government, Boardroom briefings, Ministerial meetings, Industry groups, Tasmanian customers, Government agencies - Other stakeholder groups such as stevedores and the Port of Melbourne’s tenants were also contacted by email to alert representatives of the release of the 2050 PDS for consultation, and to invite comment. - More than 100 stakeholders were contacted via email to alert them of the release of the 2050 PDS and to invite comment - The final 2050 PDS will be released and made available on the Port of Melbourne website. - A summary of changes, FAQs and key themes will also be published on the same site. 	<ul style="list-style-type: none"> - The overall response to the 2050 PDS across industry, community, local government and government agencies has been extremely positive, with the long-term vision and clear positions commented on - Many concerns, questions and issues raised were familiar to PoM through regular engagement with the community, industry and government, including the impacts of growth, emissions, pollution, noise, congestion, and environment. Many comments also related to the extent to which different stakeholders may benefit, or be impacted by investments. - Operational queries around the timing and transition plan for the proposed move of Tasmanian operators within the port, and alternatives considered - Queries around long-term plans to connect Webb Dock via rail - Queries around productivity assumptions, and noted that automation and efficiency can deliver cost savings – are there plans for these types of investments at the port - Noted that increased utilisation of the Appleton and Victoria precinct could lead to congestion in that area 	<ul style="list-style-type: none"> - As a landlord port we will encourage our long term tenants to progressively move to ever increasing use of equipment and machinery that is more productive and energy efficient with fewer greenhouse gas emissions - PoM’s Sustainability Report was released in 2019, and will continue to be updated. The PDS also supports sustainability through encouraging mode shift, and has been updated to reflect environmental legislation - The PDS outlines PoM’s proposed Webb Dock Freight Link, our plan to connect Webb Dock to rail. PoM is investigating plans for Webb Dock rail in conjunction with the State - The PDS takes productivity growth into account. PoM does not have an operational role in investing in stevedoring infrastructure, however, we will continue to work with long-term tenants on the productivity agenda. In addition, the promotion of competition is expected to drive efficiency - PoM is exploring opportunities to support efficiency with PDS investments, including integrating the former Melbourne Wholesale Market Site into the Port to provide additional capacity and better access to the Port
P RTP	<ul style="list-style-type: none"> - More than 500 interactions in varying forms over the past 18 months alone. - These interactions included 1-1 meetings, site tours, hosting tours 	<ul style="list-style-type: none"> - Current intermodal and rail operators, all of whom have stated they support the project 	<ul style="list-style-type: none"> - The P RTP began in 2018, as a direct result of feedback from customers that an infrastructure solution alone would not achieve the outcomes

Topic	PoM's engagement activity	Port Users and stakeholders' feedback	PoM's response
	<ul style="list-style-type: none"> and participating in working groups and industry events. - Ministerial roundtable on the PRTP with 50 attendees from across business and Government - Extensive direct engagement with key industry participants and other stakeholders (e.g. RTOs, Stevedores, intermodal operators) - Direct contact with around 120 individuals post-announcement - Broad stakeholder engagement via the TCS consultations - Also covered by PDS, with the rail strategy forming a key component 	<ul style="list-style-type: none"> - The approach to rail needs to be scalable, so it can respond and adapt as container volumes grow. - Competitiveness and equity issues with operators who do not directly benefit from the PRTP - Recognise that rail brings benefits to Tasmanian trades as well - Questions around the calculation, timing and application of the price adjustment (e.g. whether it would come off, apply to transshipments, apply to all terminals) - Query on whether PoM would consider deferring the PRTP (and TCS) price adjustments given the impact of COVID-19. 	<ul style="list-style-type: none"> required by its stakeholders for mode shift - Reforms to the operating arrangements for on-dock rail will bring immediate benefits to the supply chain. PoM is developing longer-term options like the Webb Dock Rail Link Project – which was part of TCS / PDS engagement - Agreements with Rail Terminal Operators oblige them to pass through cost savings (where PoM has taken costs out of the supply chain) - PoM's approach to pricing is intended to support the PMA objectives of promoting competition, and as such, we do not currently apply terminal specific pricing - The Pricing Order amendments ensure only prudent and efficient costs are covered by the tariff adjustment - The PRTP is already delivering productivity and efficiency gains. It is important that this investment proceeds because it will contribute to Victoria's recovery from COVID-19 by creating jobs. Construction is expected to commence by the end of this year
<p>Big ships</p>	<ul style="list-style-type: none"> - Covered by PDS, as accommodating larger vessels is a key component of PDS - Broad stakeholder engagement via the TCS consultations 	<ul style="list-style-type: none"> - Noted that big ships are resulting in vessels missing berth windows, which has a cascading effect on Port Users - Concerns raised around the long-term future of Swanson Dock given infrastructure constraints in handling big ships - In relation to charging, query whether the investment was part of facilitating trade, and some stakeholders noted that big ships should bear the costs of the investments to handle big ships 	<ul style="list-style-type: none"> - PoM is working with stakeholders to better understand impacts on Port Users from current design vessel limitations - PoM's channels and supporting infrastructure with regard to container shipping have been designed to enable safe navigation of a "design vessel". Noting Port Users' concerns about operational challenges from larger vessels, PoM is developing an investment program to provide a new service to vessels larger than the design vessel (subject to approval from the Harbour Master¹). This investment program will include Swanson Dock, to facilitate and promote competitiveness between Webb and Swanson precincts on berth infrastructure - Big ships investments are not targeted at increasing port capacity (which is sufficient for the next decade), but rather responding to the changing nature of the service provided to accommodate larger vessels than the port was designed

¹ The lease of the Port of Melbourne to PoM on 1 November 2016 resulted in separation of the regulatory functions of the port; which now reside with the Victorian Ports Corporation Melbourne (VPCM) Board and the Harbour Master. In this regard the Harbour Master is a key decision maker who has independent statutory powers, undertaking functions under the *Marine Safety Act 2010* (Vic). The Harbour Master's primary responsibility is navigational safety, including determining the conditions under which all vessels can safely navigate through port waters. Ships larger than the design vessel are able to call at the Port of Melbourne upon obtaining approval from the Harbour Master.

APPENDIX I – PORT USER AND OTHER STAKEHOLDER CONSULTATION

Topic	PoM's engagement activity	Port Users and stakeholders' feedback	PoM's response
			<p>for. This will drive efficiencies in the supply chain, but have limited impact on PoM's volumes</p> <ul style="list-style-type: none"> - PoM is considering various cost recovery options for the new service and will consult further with Port Users and the ESC in 2020.