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SAL21-115

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Port of Melbourne Monitoring Officer
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne, VICTORIA 3000

transport@esc.vic.gov.au

Dear Port of Melbourne Monitoring Officer

SAL Submission - Essential Services Inquiry into Port of Melbourne's Compliance with the 2021 pricing order

Shipping Australia is an industry association that represents the participants in Australia's international supply chain.

We provide policy advice and information to our 30 full members, which include ocean shipping lines and shipping agents active in Australia. We have over 40 corporate associate members, which generally provide services to the maritime industry in Australia. These services include port and terminal operations, pilotage, insurance, and legal advice among other things.

Our members handle the vast majority of containerised seaborne cargo imports to, and exports from, Australia. They also handle a considerable volume of our car trade and our bulk commodity trade.

Our members employ more than 3,000 Australians.

Our submission

In respect of the above inquiry, matters of interest and/or concern to the ocean-going shipping industry include the following:

1. The current framework has provided only some restraint on price increases for some of the prescribed services since the port was privatised.
2. SAL members are most concerned about the impact on prices that any amendment or proposed amendment of the Pricing Order might allow.
3. Consequences of consultation and input on any future proposed amendment to Pricing Order; input should not just be received; it should be addressed appropriately.

4. The port adopts a term of one year for its regulatory period in setting its prescribed service revenue. Unpredicted changes to these charges impact contractual arrangements. Longer regulatory periods would promote stability and predictability of prescribed service tariffs for port users within the applicable tariff limit. Shipping Australia would like to be included in future consultations on the feasibilities and implications of a longer regulatory period.
5. The proposed price increase to pay for investing in upgrades to handle larger vessels: members are absolutely opposed to the method of "pay first, use later when the infrastructure is built". There should be a prohibition on any price increase, tariff, charge, surcharge, fee or other funding mechanism of any shape, form, or kind being introduced to fund infrastructure until such time as that extra infrastructure is actually ready for use.
6. Buyers of Port of Melbourne ought to have been aware that there was, or that there would be, a need for further investment in the port's ability to handle bigger ships. This need was foreseeable, and was in fact highlighted by Shipping Australia, during privatisation.
7. The Port's proposed plan for recovery of deferred depreciation in future years (post 2032-2033); our members are keen to know the timing and methodology for recovering deferred depreciation and how it would impact them. They wish to avoid shocks and surprises.
8. Any new fee, tariff, charge, surcharge or other funding mechanism ought to be clearly labelled, discrete, and invoiced on a line-item basis. There should also be a clear, easily accessible, and unambiguous explanation in plain English prominently displayed on the Port of Melbourne's website explaining what the charge is, why it was introduced, who introduced the charge, how it is calculated and applied, how much it costs and when it will end.
9. Any new fee, tariff, charge, surcharge or other funding mechanism should be specifically and publicly limited in amount, scope and duration, with a specific prohibition on that mechanism being rolled over, absorbed into other charges, continued or extended in any shape, form, or in any way whatsoever.
10. Any new fee, tariff, charge, surcharge or other funding mechanism should be given a specific name, with specific spelling (and perhaps a specific reference number, that cannot in future be changed or amended).
11. Any proposed price increases should be directly linked to ports and terminals meeting performance and productivity standards; for this purpose we suggest utilisation of the Container Port Performance Index and associated metrics from the recently released World Bank & IHS Markit Report (CPPI 2020) or its methodology (with any appropriate modifications).
12. Channel fees and Surcharges: there is an issue with the definition and implementation of the Channel Fees Charge for so-called Pure Car Carriers. These days there no Pure Car Carriers. All such vessels are in fact PCTC (Pure Car and Truck Carriers) which are RoRo vessels.

13. The Channel Surcharge should not be based purely on a ship's summer draft as some RoRo and PCTCs cannot reach summer draught because the berth pocket doesn't allow it. Some RoRo vessels, which have summer draught over 12.1m, are charged the higher tariff when they come at a draught of less than 10m and can only go to a berth where maximum allowable draught at Webb Dock West is 11.8 m.

Authorised by

Melwyn Noronha

CEO, Shipping Australia.