



Port of Melbourne Operations Pty Ltd

Submission to Freight Victoria

VICTORIAN COASTAL SHIPPING REVIEW

26 July 2019

The port of Melbourne is Australia's largest and fastest growing port and plays a critical role in the prosperity of all Victorians with almost every facet of the economy relying on the port's capacity to move goods, to, from and around the State.

Working together with industry and Government, the Port of Melbourne Operations Pty Ltd, (PoM) is focused on planning for and developing supply chain efficiencies with our customers that enhance the competitive position of Victoria, and liveability of greater Melbourne.

PoM is pleased to provide this submission in response to Freight Victoria's Terms of Reference for the Victorian Coastal Shipping Review.

Coastal shipping has been an important part of the Australian port supply chain for many years and is a well-established and efficient freight supply chain for a number of specialised bulk commodities, shipping routes and cargoes of opportunity. These supply chains have established in response to a number of key characteristics which enable the dynamics of coastal shipping to efficiently support these trades. Port of Melbourne is proud to support a number of these trades, most notable of which is the Bass Strait operations.

The key characteristics that have enabled the establishment of these efficient coastal shipping supply chains include; dedicated services providing reliable and regular access to shipping, appropriate end to end infrastructure to enable the regularity of service and complimentary logistics arrangements at each end that optimise the last mile costs.

In non-specialised supply chains, coastal shipping must compete with land transport modes which are assessed on a range of factors such as time, cost, frequency, infrastructure capacity, associated logistics etc.

PoM is keen to ensure policy positions in relation to coastal shipping are informed by demand and market dynamics and support freight transport optionality.

The following responses are provided to inform and support the State's consideration of Coastal Shipping policy.

When considering PoM's responses below please note that coastal shipping has been defined as transfers of freight between Port of Melbourne and other Australian ports.



COASTAL SHIPPING TRENDS

To support the State's review, PoM has undertaken an assessment of coastal shipping volumes through the Port of Melbourne over the past 10 years.

Container Coastal Shipping

In regard to container trades (Figure 1) coastal cargo volumes have remained reasonably steady over the past 10 years. Coastal container movements represented around 15.0% of Melbourne's total (full and empty) container trade for calendar year 2018 of which the majority represented the Bass Strait trade, demonstrating the significant relationship and significant role of Bass Strait operations within the Port of Melbourne.

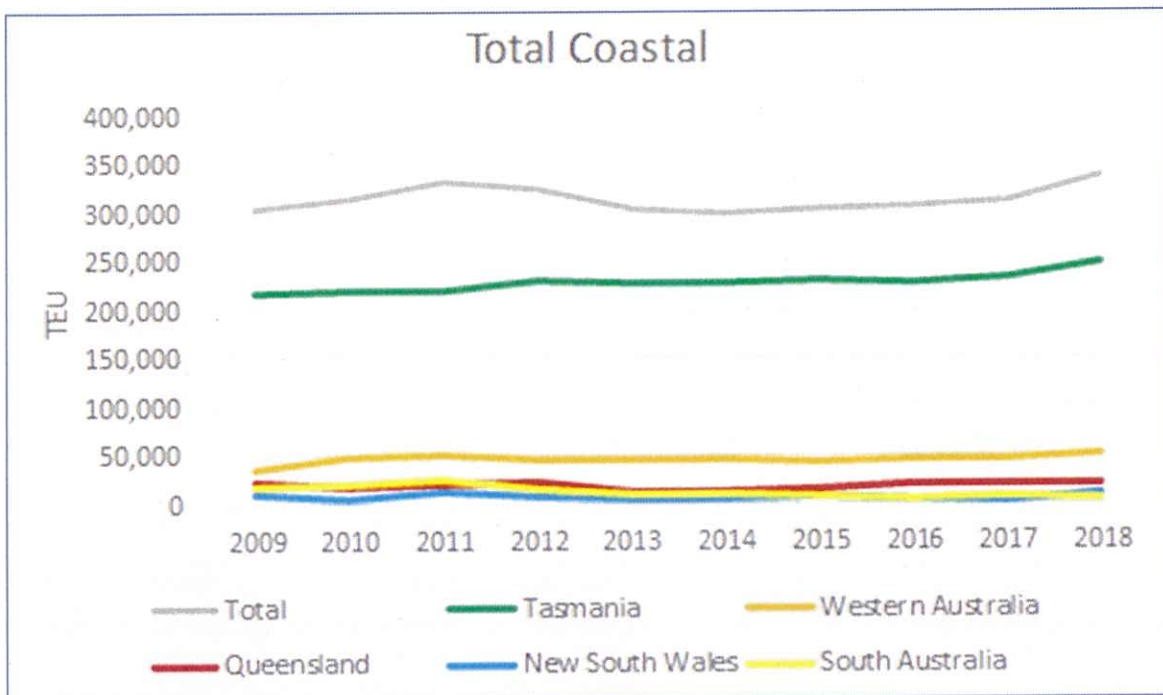


FIGURE 1 : Coastal Container Volume Trends

As demonstrated in Figure 1, the Bass Strait operations between Tasmania and Melbourne constitute a significant trade route connecting Tasmania with mainland Australia and international markets. The increase in Tasmanian container volumes in calendar year 2018 can be partly due to the withdrawal of direct international liner services into Tasmania and the robust Tasmanian economy. These supply chains are supported through the Tasmanian Freight Equalisation Scheme, dedicated operators who are investing in greater shipping capacity and reliable end-to-end port infrastructure to service these trades efficiently.

Non-Containerised Coastal Shipping

There are a number of bulk commodities that are moved by coastal shipping. Port of Melbourne services a number of dry bulk supply chains that are operated predominately by companies that have a value add or manufacturing facility in Melbourne. Products such as gypsum and sugar are imported in bulk from other states for processing.



A number of liquid bulk commodities rely on coastal shipping to relocate product across Australia as part of a national supply chain - using shipping to balance supply across the country.

Break Bulk also has interstate trade, with cars and general break bulk (such as project cargo, equipment and oversize loads).

PoM values these coastal shipping trades and will continue to work with our tenants and shippers to expand volumes and support growth where more capacity is required.

"Whilst it is recognised that the market share for coastal shipping as a proportion of total freight has declined, the actual volumes of coastal shipping through the port of Melbourne has remained reasonably constant. This reflects the specialist freight markets best served by coastal shipping."

MODAL CHOICE

Consistent with the broader debate and discussion regarding modal choice between road and rail, similar discussions are relevant in relation to growing coastal shipping. There is a need for policy initiatives that support and encourage efficient and productive supply chains across road, rail and sea and to create an environment that encourages private sector investment to support these supply chains and enables choice by cargo owners to service their supply chain needs in the most efficient and productive manner.

Choice of transport mode is ultimately made by cargo owners. They primarily consider cost, reliability and transit time. Often they will need to compromise between criteria depending on their supply chain needs. When considering coastal shipping policy, it is important to recognise the complexity and variations across these factors for different supply chains.

The key factors influencing supply chain choice are outlined below.

Cost

Any policy consideration to influence cost should recognise that there are a range of components that will influence the cost of each supply chain and therefore the ability of that mode to compete effectively.

As an example, the dynamics of the EAST-WEST supply chain, the demand for empty container repositioning into Western Australian and the significant distance means that shipping can compete on price with rail.

In comparison, east coast (Melbourne to Sydney or Brisbane) coastal shipping struggles to compete on price given the established road and rail operations.

Time

No matter the potential cost advantage, coastal shipping is more appropriately suited to cargo that is not time dependent. As an example, Figure 2 shows the relative transit times by each transport mode between Melbourne and other ports.

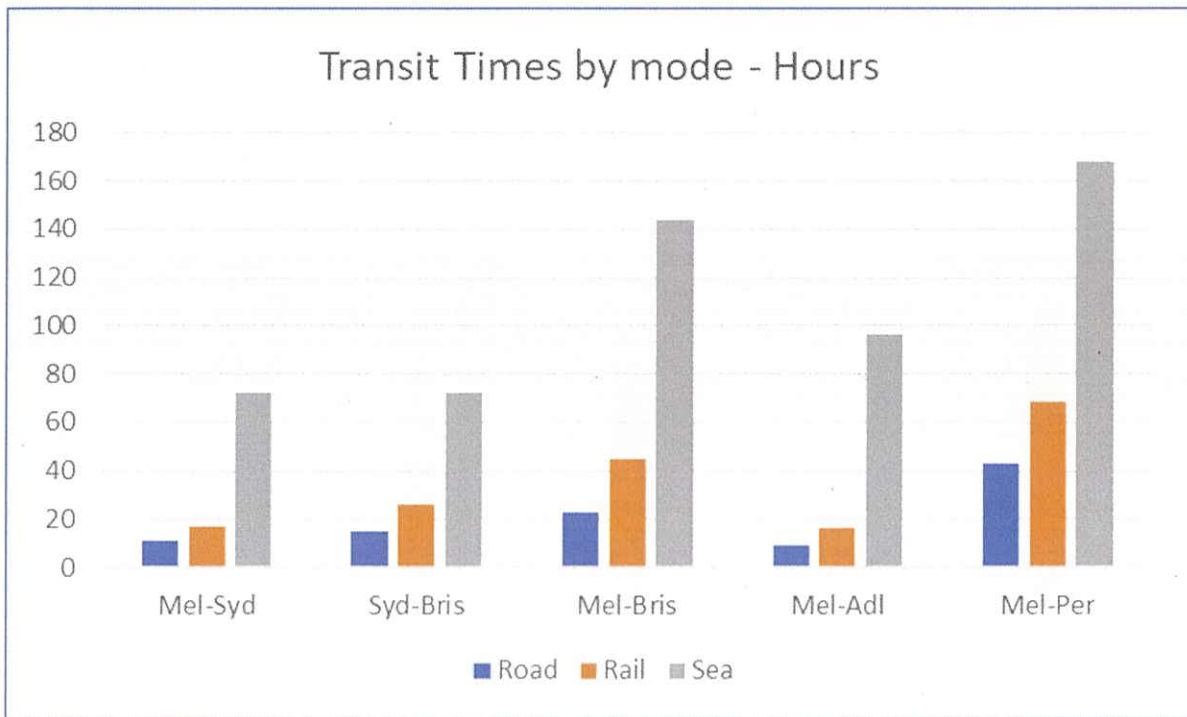


FIGURE 2 - Comparison of transit time by mode

Service Levels

Ad hoc coastal shipping will struggle to compete with dynamic road and rail options can have a container transferred between Sydney and Melbourne in a matter of hours to a day, with little or no lead time and often with a door-to-door service. The additional interchange and mode changes at each end (last mile costs) is often an inhibitor to mode choice for coastal shipping.

Growing Coastal Shipping Mode Choice

These factors are particularly important when considering opportunities to grow coastal shipping mode choice. As noted above, there are well established dedicated coastal shipping services therefore the opportunity to grow coastal shipping mode choice is principally focused on container supply chains. In this regard, coastal shipping of containers is best served for:

- Markets (e.g. Perth) that have a large distance from Melbourne where shipping can compete with rail/road;
- Durable products that are not time dependent and do not have a short shelf life; and
- Where the coastal shipping opportunity can leverage established networks such that the cost is incremental.



COASTAL SHIPPING OUTLOOK

Coastal shipping is a well-established and efficient freight supply chain for a number of specialised bulk commodities. These supply chains have established in response to a number of key characteristics which enable the dynamics of coastal shipping to efficiently support these trades. For example, the established coastal shipping supply chains at the port of Melbourne are generally supported by dedicated berthing facilities which allow regular vessel servicing.

PoM will continue to support these supply chains through forward planning for capacity to support and grow trade through the port.

In non-specialised supply chains, coastal shipping must compete with land transport modes which will be assessed on a range of factors across time, cost, frequency, infrastructure capacity etc.

CONCLUSION

PoM's focus and commitment is to continue to manage and develop the Port of Melbourne to be a major seaborne trade gateway to the benefit of the economy of the State.

Freight is a fundamental component of the economy and a key user of the transport infrastructure network. Our freight vision optimises a multimodal approach for regional, metropolitan and urban freight movements, to support:

- *Efficient regional networks* – supporting regional economies and protecting jobs in regional growth areas.
- *Port rail shuttle network* – leveraging established investment in outer metro hubs and taking trucks off inner city streets.
- *Connecting to Inland Rail* – integrating the domestic and international freight task to drive system outcomes and create opportunities for growth through the strategic investments in Inland Rail.
- *Urban freight logistics* – supporting inner city growth through innovative freight models and infrastructure
- *Best mode for task* – ensure that each freight mode is optimised to best serve the specific freight task in the most efficient and productive manner.

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