

AUSTRALIAN PEAK SHIPPERS ASSOCIATION INC.

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Mr Andrew Chow
Director Regulation
Essential Services Commission
Level 2
35 Spring St
MELBOURNE VIC 3000

Dear Sir

Re: Review of Victorian Ports Regulation 2009 – Draft Report

The Australian Peak Shippers Association Inc (APSA) is the Designated Peak Shipper Body specified under subsection 10.03 (1) of the Australian Trade Practices Act and represents the interests of Australian shippers generally in relation to outwards liner cargo shipping services.

I have read the Draft Report and wish to comment only on Section 7 and only on matters relating to the Port of Melbourne (POM).

I believe there is no argument that POM has considerable market power as effectively it attracts all the containerised import/export business within 50 km's of the Port. Other Victorian Ports are remote from the main industries and are not set up to handle containers to the same extent as POM.

APSA's concern has always been that revenue gained from Port charges/operations is significantly over and above the cost of operating the Port. This is due in the main by the Victorian Government control of the Port and the fact that the Government takes out of the Port on an annual basis a dividend which is a tax on exports earned from excessive wharfage charges. POM should be seen as a facilitator of trade and not a source of taxation to be used for health, education and roads matters.

It was a great disappointment that the Victorian Government did not contribute a greater proportion to the cost of the current dredging program in Port Philip when over the years the Government has taken hundreds of millions of dollars out of the Port by way of excessive charges, the sale of Victorian Dock and surrounds, the sale of the World Trade Centre and excessive annual dividends.

One of the charges which has aggravated exporters since the introduction of containers in 1969 is that the POM continues to charge wharfage for the handling of containers at container terminals at East and West Swanson Docks and Webb Dock when there is no service provided by this charge. It is a tax on exports and should be abolished!

The Industry Assistance Commission, in an investigation into Port charges in Melbourne in the 1970's, recommended that wharfage should be abolished as it did not provide for a service, common user berths excluded.

Mr John King, a former CEO of POM, stated that wharfage was revenue which went into a 'bucket' to provide for the annual dividend to the Government and was not a charge for a service.

POM leases out the container terminals at East and West Swanson and Webb Dock and the operators in turn charge their clients for a service and the use of the facility.

POM revenue from these terminals is by way of leasing agreements and for POM to charge wharfage on top of this revenue is 'double dipping' and can be seen as a tax on exports. The annual dividend paid to the Victorian Government can be seen as a rort.

The level of dividend is well in excess of that received by any similar sized organization.

What does the dividend cover?

Decades ago when POM operated numerous conventional berths with depreciation, maintenance, etc a factor, one can accept that a dividend was warranted. However most of these conventional berths are now obsolete or sold with most current assets fully depreciated.

When APSA has raised the level of charges with POM the response has always been that POM charges are the lowest in Australia.

That response is quite irrelevant when POM charges are still significantly over and above the cost of operating the Port.

In APSA's view POM has never seriously tried to attract a third stevedore into the Port and indirectly this indecision has lead to an oligopoly of stevedores which has been costly for importers and exporters.

Again with POM market power there has been no incentive to succeed. APSA has on a number of occasions approached Victorian Governments to consider taking early action to develop the Port of Westernport as a deep water international container port without success.

Again there has been no incentive by any Victorian Government to consider Westernport for financial reasons. Any move to Westernport would be a significant loss to POM and the Victorian Government.

Rather than take action on Westernport, POM has entered into a billion dollar dredging program in Port Phillip when that money could have been spent in Westernport.

A deep water port in Westernport, which has a 'soft' bottom and requires only maintenance dredging, is only 20 minutes from Bass Strait as against 3/4 hours from Port Phillip Heads to Swanson Dock.

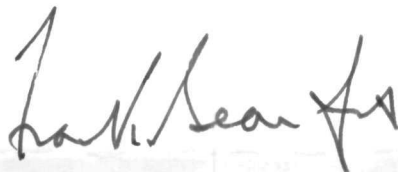
There would be significant savings for shipping and trade in the construction of a new deep water terminal in Westernport.

Certainly there would have to be extensive infrastructure work required but dredging would never be a problem! However Port Phillip Heads and channels will need to be dredged in another 15 years or so as container vessels get bigger and deeper draft.

In summary POM has market power and through that market power it can levy charges that amount to tax on exports.

An early decision to abolish wharfage in Melbourne should be made.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Frank Beaufort', with a stylized flourish at the end.

FRANK BEAUFORT
Executive President