

Discussion Paper Input
Victoria's Future Ports Capacity – Infrastructure Victoria
28 September 2016

Feedback on the process for developing the advice and the key factors.

Have we missed any key factors that may influence demand and capacity at the Port of Melbourne?

- **Significance of new interstate rail links. In particular, the Transcontinental link from Mildura to Broken Hill recommended to occur in the mid-2020s and the potential increase in volume of freight from the Murray Basin region as a result.**

The Victorian Department of Planning and Local Infrastructure - Murray Basin Region Freight Demand and Infrastructure Study, July 2014, indicated that an additional rail link extending the Murray Basin Rail Project from Mildura through to the Transcontinental rail line near Broken Hill will need to be operational by the mid-2020s. The effective capacity limit on the Melbourne to Perth western line, via Adelaide will reach its limit at this stage. The report's first recommendation was governments need to 'progress planning for the Transcontinental Link with an indicative time frame of the mid 2020s, for demand to reach relevant levels of operation'.

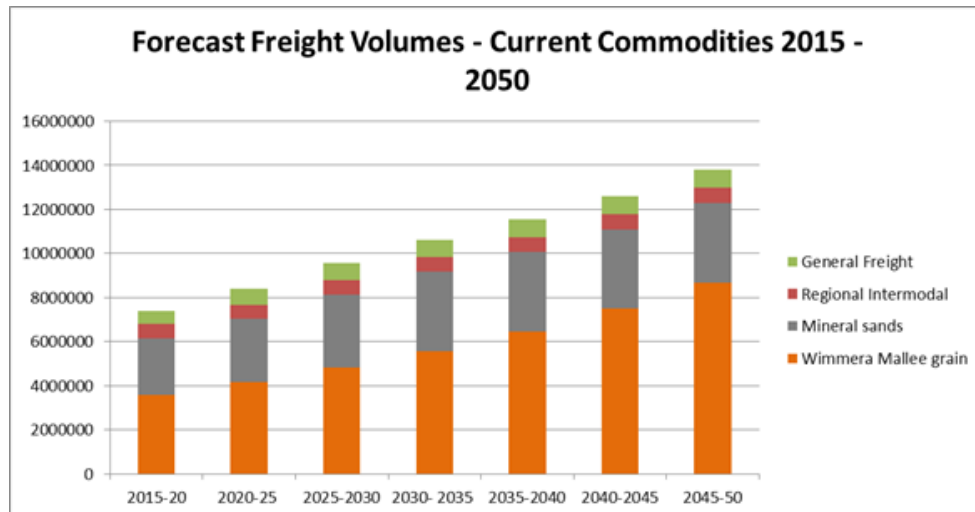
The development of this link will increase the volume of freight being transported from the Murray Basin region (area covering the north west of Victoria, south west of New South Wales and adjoining areas of South Australia) to the Victorian ports. The predominant consignments would be mineral sand, iron ore and grain. The link will also provide an alternative freight route option for other states.

Cristal Mining and Iluka are currently in the process of planning the Balranald and Nepean mineral sands deposits. With a link to the Transcontinental joining the rail line from Broken Hill to Mildura and the Murray Basin rail system, both companies will be able to maximise use of rail to move their products to treatment plants at Broken Hill and Hamilton and after refining, to ports for export.

Companies are also developing iron ore mining operations south west of Broken Hill with product that could be shipped through Melbourne ports. There are also large magnetite deposits further into South Australia and although South Australian ports would be more accessible, with successful completion of the rail link, flexibility in exit ports will be assured.

The graph below illustrates the outbound freight volume forecast growth from the Murray Basin region (2015 – 2050). This is based on average year production expectations as grain, in particular, can experience high variances due to climatic conditions¹.

¹ Department of Transport, Planning and Local Infrastructure 'Murray Basin Region Freight Demand & Infrastructure Study Project Report', July 2014



- **The importance of standard gauge only rail access to the ports.**

It is uneconomic for freight operators to run two fleets; particularly as broad gauge rail will have disappeared from freight lines in Australia within a few years. A unified tristate NSW, Victoria and SA is needed to accelerate mode shift from road to rail.

- **The increase in production of horticulture, grains and mineral sands from North West Victoria and beyond.**

While the discussion paper illustrated the growth of freight at the Port of Melbourne will be from 2.5 M (twenty-foot equivalent units) TEU to 7 – 8 M TEU at capacity, the significance of the extended Mildura, Wentworth and Robinvale regions should not be underestimated. The region produces over \$2 Billion (20%) of the \$10 Billion Australian horticulture farmgate (Australian Bureau of Statistics 2014/2015), with a significant percentage of products export oriented. The region produces 75% of Australia's table grapes, 24% citrus, 98% dried vine fruit, 65% almonds and 20% of the wine crush.

All horticulture products are experiencing international demand with resulting growth including almonds, table grapes, citrus, dried fruit and wine grapes. The investment is being generated by established producers, additional investment from other parts of Australia and international corporations. The expected new almond developments alone are anticipated to increase by an additional 50% over the next three years, with the industry potential worth over \$1 Billion in ten years (Almond Board of Australia).

Mineral Sands mines, in the Murray Basin and north west Victoria, currently move approximately 550,000 tonnes pa (valued over \$1 Billion) to be processed and exported by rail with an additional 240,000 tonnes pa likely to be moved direct to port in the near future. (Department of Transport, Planning and Local Infrastructure 'Murray Basin Region Freight Demand & Infrastructure Study Project Report', July 2014(VDPLI), Page 4).

Over \$900,000 of grain was produced last year in North West Victoria (ABS 2014/2015) and Graincorp's website indicates long term growth trends in the Australian Grain industry of approximately 3% annual growth (VDPLI, Page 31).

Regional containers and general freight volumes are anticipated to grow from 3 – 5% (VDPLI, Page 32).

In addition to this, a new winery with the capacity to produce up to 84,000 tonnes at capacity is proposed with a 6,000 TEU expected. An established, export orientated company is also expected to reopen the Mildura abattoirs to expand operations

Which key factors are likely to have the greatest influence on demand and capacity at the Port of Melbourne?

All the key factors that the discussion paper highlights are very important and will influence demand and capacity at the Port of Melbourne. From North West Victoria's perspective, the key important factor would be road and rail transport accessibility and productivity. This is imperative for efficient shipment of products from the region to meet customer demands in competitive markets.

The ability to locate an integrated logistics precinct at the port gate is also important to promote efficient transport flow and reduce double handling of containers. The Port on dock rail will increase capacity by removing Coode Road and opening up the Footscray Road rail easement to the waterfront.

Changes to domestic and international production is another key factor and will influence demand and capacity. Increases in international trade negotiations and demand for our food products in the global market place inform us that increase in trade is inevitable. At the same time climate change could increase variance due to climatic conditions.

What do you view as the key links and interactions between the key factors?

External factors in trade volume, including technology cross a number of key factors. For example; many Australian ports have already been disrupted by the global supply chain in the motor vehicle industry. This has affected trade volumes, with significant reduction in manufactured motor vehicles and increase in imports of new motor vehicles.

On a positive note, new technology will improve efficiencies in communication and logistics and driverless vehicles and robotic technology will also impact efficiencies at the wharf.

As the discussion paper identified, the introduction of 3D printing could reduce the need for imported good.

Do you think we have missed any key factors or issues for assessment of the sites?

- **Potential of specialising containerised trade to Port of Melbourne and segmenting other cargo to alternative existing ports to improve economies of scale and efficiency.**

As the discussion paper has outlined, the government will achieve efficiencies if the length of time that the Port of Melbourne operates is extended and the need for additional investment in a new facility is delayed. The discussion paper indicated that 68% of the volume of goods is container cargo. This leaves 32% of dry bulk, break bulk or liquid bulk cargo. With the correct infrastructure at the Port of Melbourne to allow additional containerisations shipments, the need for expansion to Hastings or Bay West would be either extended in time or averted.

Consideration needs to be given to increase infrastructure capacity at Geelong and Portland to cater for increases to the already existing throughput in dry bulk, break bulk and liquid bulk. This will assist regional areas that are facing industry closures to develop, create jobs and sustain economies.

Liquid bulk could be concentrated on Geelong and Hastings and dry and break bulk through Geelong and Portland.

- **The efficiency of transporting product from West and North West of the State through the metropolitan area to Hastings.**

It is important that operators in West and North West Victoria regions are able to meet the customer's demands for efficient transport at the right price. If the Victorian Government extends port activity to Hastings, West and North West Victorian businesses sending goods to port will be disadvantaged given it would be difficult to meet the 24-hour turnaround needed to keep costs to a minimum, as product would need to be transported through the middle of the metropolitan city.

The importance of standard gauge rail access also needs to be emphasised, as this will have a significant influence on the competitiveness of rail and the rate of mode shift from road to rail

Do you think there are any constraints to testing the key factors we have identified?

The discussion paper provides a very comprehensive understanding of the key factors to consider with the exception of the importance of standard gauge rail access.

Apart from standard gauge rail I cannot identify any additional constraints other than those that have been identified.

Do you have any information to help us build our evidence base?

The Reports listed below will assist to build your evidence base.

- Department of Transport, Planning and Local Infrastructure 'Murray Basin Region Freight Demand & Infrastructure Study Project Report', July 2014
- Adelaide Freight Movement Study – Final Report June 2010 – Commonwealth Department of Infrastructure, Transport, Regional Development & Local Government.

This document concluded that a new bypass of Adelaide could not be economically justified at the time of the report, however the Transcontinental Link would provide virtually all of the benefits of a new bypass (Adelaide Hills) but for a much lower cost and with wider regional and national economic benefits.

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