

# Independent Review of the Victorian Ports System

## Initial Government Response

February 2021



# A new body to oversee Victoria's ports

## Establishing Ports Victoria

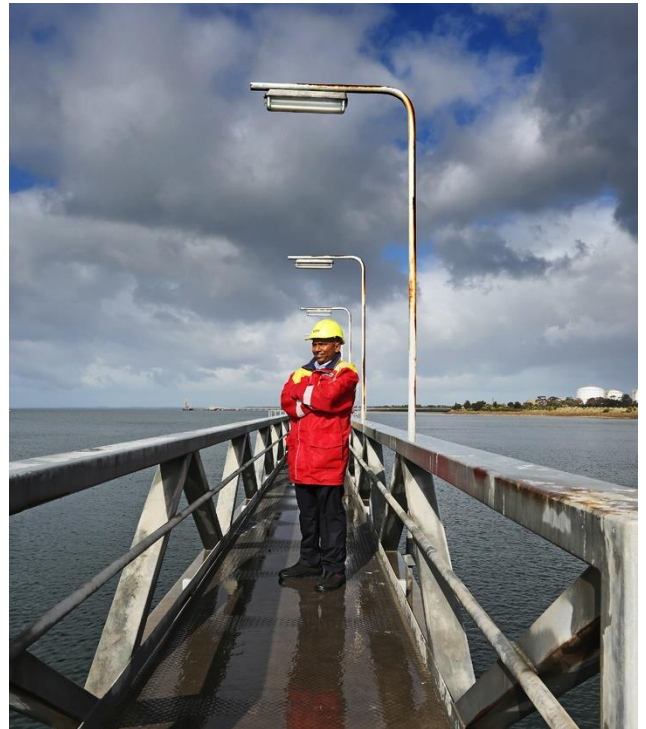
### Introduction

Victoria's commercial ports are the conduit for around \$26 billion worth of locally produced and manufactured exports and handle almost a quarter of Australia's total food and fibre exports.

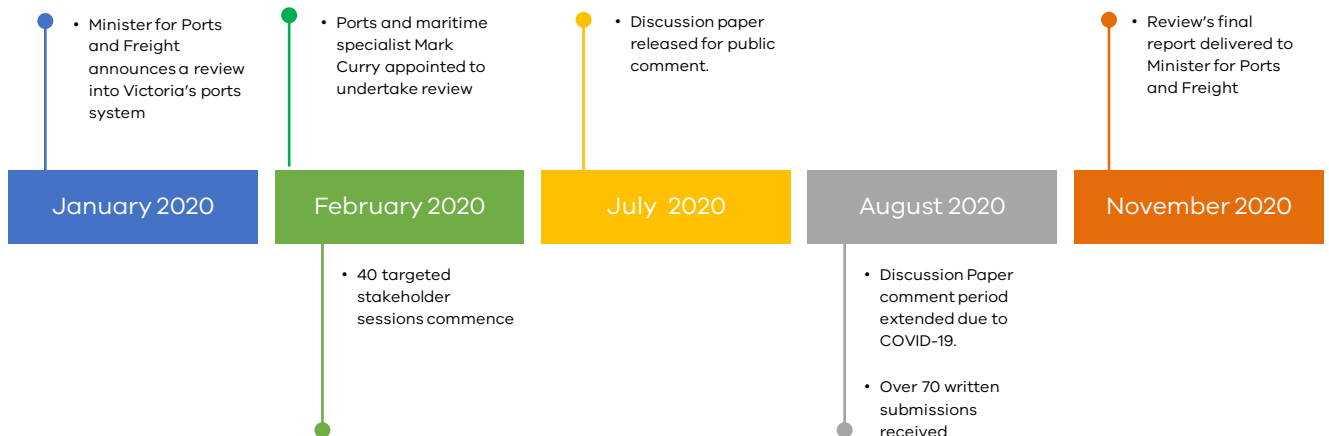
With freight volumes expected to increase dramatically over the next three decades, the importance of our ports will only grow.

The governance and operation of Victoria's ports system have not been reviewed for almost 20 years. Before 1995, governance arrangements for Victoria's ports were relatively simple: three state-owned port authorities managed the entire system. Since then, a highly centralised system has fragmented into nine entities.

This has affected the state's ability to plan and coordinate the ports system and ensure it best serves the interests of the Victorian people and economy.



### How the review was undertaken



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The Victorian Government announced an independent review of the Victorian ports system in January 2020. The review was tasked with determining whether arrangements put in place at the turn of the 21<sup>st</sup> century were still appropriate.

The review found they were not. Port stakeholders said the public governance arrangements were confusing, duplicative and ineffective.

The review makes over 60 recommendations to improve the operations of the Victorian ports system. The Victorian Government's initial response to the review is to establish Ports Victoria, a new entity which will combine the Victorian Regional Channels Authority and Victorian Ports Corporation Melbourne. A full response to the review's recommendations will be provided by mid-2021.

Additionally, the government will soon begin working on a new Victorian Ports Strategy. Further details about the development of the strategy and stakeholder consultation will be released shortly.

## What is Ports Victoria?

Ports Victoria is to become the foundation of reforms to the Victorian ports sector.

Ports Victoria will have overarching responsibility for the channels and port waters of the commercial ports. Its role includes:

- providing and maintaining channels and navigation aids in designated commercial ports;
- ensuring the availability, continuity and high standard of key water-based services in Victoria's commercial ports;
- deploying, supervising and supporting harbour masters in port and non-port state waters;
- contributing to the strategic planning and development of individual commercial ports and the ports system as a whole;
- facilitating new trading opportunities and the growth of existing freight movements through the ports system;

- providing maritime advice and expertise to local port and waterway managers;
- developing the cruise shipping industry in Victoria;
- providing information and education about the Victorian ports system to stakeholders and the general public;
- coordinating the port development strategy for the Port of Geelong; and,
- ensuring an approach to the needs of each Victorian port that does not unfairly focus on the larger Port of Melbourne.

Ports Victoria will begin operations on 1 July 2021.

## Where will Ports Victoria be located?

Ports Victoria will be located in Geelong.

Locating in Geelong will grow the city's influence in the ports sector and allow it to become a niche centre of maritime expertise.

Many stakeholders expressed a preference for Geelong as part of the review process.

The relocation of the Tasmanian TT-Line domestic ferry service from late 2022 adds to Geelong's reputation as a port city and highlights its role as a key maritime entry point.







## Other findings of the review

### Navigational Safety

The review found current arrangements for navigational safety in the ports system are complex and inconsistent.

It recommended Ports Victoria reinforce the harbour master role by consolidating and clarifying lines of accountability for the ports of Melbourne, Geelong, Portland and Hastings.

### Pilotage

The review recommended stronger regulatory oversight of pilotage services to ensure adoption of safe operating practices and to support development of a robust performance-management framework.

Ports Victoria will be responsible for ensuring licensed pilotage services are available to service arriving and departing vessels.

### Towage

As with pilotage, the Review found that there should be stronger and more structured accountability from towage service providers to the entity employing the harbour master than can be achieved through harbour masters' directions alone.

The review recommended that Ports Victoria assume responsibility for ensuring that licensed towage services are available at all times to service ships in the port waters of commercial trading ports.



### Local ports

The review concluded there is no immediate need to make significant change to the direct management of Victoria's local ports. It found that local ports management had greater synergy with the functions of waterway management than with commercial port management and that strategic planning for commercial ports should be progressed separately. However, the review suggested there was merit in examining how local ports could benefit from the maritime expertise of the commercial ports.

## Landside pricing and access at the Port of Melbourne

The review found that while stevedores exercise market power by levying terminal access charges (TACs) on transport operators, the evidence does not suggest they are using this market power to inflate profits.

Despite recent price increases, the review noted analysis from the Australian Competition and Consumer Commission showing stevedore rates of return have declined over the last decade. This was supported by analysis that indicated the end-to-end supply chain cost of importing a container has not increased in real terms.

The review supports the implementation of the Voluntary Port Performance Model. The review leaves open the option to restore formal price regulation should TACs emerge as a key driver of increased stevedore profitability.

The Victorian Government will work with the Commonwealth and the ACCC's review of Part X of the *Competition and Consumer Act 2010*, as well as with other state and territory governments, to enable a nationally consistent approach to monitoring all port-based costs throughout the supply chain.

## Port Planning

The review found that buffer controls for incompatible uses in the land surrounding the state's commercial ports require strengthening.

The review noted the unresolved issue of a lack of adequate recognition and protection of land and access corridors required for a future port at Bay West. It recommended that this issue should be progressed as a matter of urgency.

The Victorian Government is progressing this important work through planning mechanisms and its update to the Principle Freight Network.



## Next steps

The timeline below outlines the next steps in the Victorian Government's response to the review.

Thank you to all ports sector stakeholders who have contributed to this process.

