

Special Minister of State

Advice from Infrastructure Victoria on options to secure Victoria's future ports capacity

Terms of Reference

I, Gavin Wayne Jennings, request under section 44 of the *Infrastructure Victoria Act 2015* that Infrastructure Victoria (IV) provides written advice to the Government on the merits of locating a potential second Victorian container port at the site of the current Port of Hastings, and the Bay West location.

Background

The Port of Melbourne is the container capital of Australia. Swanson Dock is the leading international container terminal in Australasia. In 2014-15, the Port handled 2.58 million twenty foot equivalent units (TEU), or around 36% of Australia's container trade.

The Port also handles a diverse range of general and bulk cargo at its 34 commercial berths. Australia's largest automotive terminal is at the port and typically handles up to 1000 new motor vehicles per day. Multipurpose terminals handle a variety of non-containerised cargo, including petroleum products, grain, cement and transport equipment, and breakbulk commodities like timber, paper, iron and steel.

The current Port Capacity Project will help to absorb demand growth for containerised export by adding at least 1 million units of capacity, to provide an overall container capacity of approximately 5 to 5.5 million TEU in the Port of Melbourne annually. Additionally, further capacity will be created through the long term lease of the Port of Melbourne, as private management drives greater efficiency both in port management and further capital investments to increase container capacity.

As the catchment area for Victoria's ports exports of food, fibre and resource increase and the importance of freight and logistics grow with the digital economy, it is critical that Victoria plans ahead to ensure that its ports meet the future needs of the Victorian and Australian economy.

Scope of the advice

The Government wishes to ensure that decisions regarding Victoria's long term port capacity and associated infrastructure are developed in accordance with robust, independent advice, particularly in relation to the sequencing, timing and location of investments. IV's advice on options for Victoria's future commercial port capacity should address the following issues:

1. Scenarios for the long term demand for, and capacity of, existing Victorian commercial ports, including:
 - a) when the need for a second major container port is likely to arise and what variables may alter this timeline
 - b) capacity for containers, bulk and other non-containerised cargo;
 - c) the capability of Victorian channels and existing port infrastructure to handle different scenarios of future changes to the international shipping fleet, cargo handling technologies and changes to the supply chain onshore; and

- d) potential increases in capacity resulting from investment and improved port management under the Port of Melbourne lease arrangement;
2. Where a second major container port would ideally be located and under what conditions, including the suitability of, and/or barriers to investing in, sites at the Port of Hastings, and the Bay West location, including
- a) the indicative costs, risks and benefits of above options, including impacts on metropolitan, regional and interstate (including Tasmanian) supply chains;
 - b) any necessary measures to preserve the long term optionality at these sites including any appropriate relevant planning measures, environmental protections, or land and transport corridor reservations which may be required
 - c) impacts and requirements that a second major container port would place on surrounding and supporting infrastructure, and the impacts – including the costs to Victorian taxpayers – of any complementary infrastructure investments that may need to be considered; and
 - d) the environmental, economic and social impacts of developing a second container port, as well as the environmental, economic and social impacts of the required complementary infrastructure, on existing local communities.

Process

It is expected that IV will engage with the community, industry and other stakeholders in developing this advice, in order to promote a deep, informed discussion, while building consensus on the key issues of public importance, policy priorities, optionality and trade-offs.

IV should prepare a detailed report to Government, adopting IV's unique methodology to assess Victoria's needs from societal, economic and environmental perspectives. The report should canvass a situation analysis, identification of objectives, assessment of needs, presentation of options, and recommended directions and current actions and future trigger points for actions. It should also incorporate relevant supporting materials including key technical reports and the results of community engagement.

The final report is to be prepared in parallel with IV's 30 Year Infrastructure Strategy and provided to me, as Special Minister of State, within 12 months of this request.



The Hon Gavin Jennings MLC
Special Minister of State

Date:

10-05-16