

Victoria's future: a tale of two ports

Peter van Duyn*

HAVING recently attended two industry events which dealt with the proposed development of potential sites for new container ports in Victoria, I thought it was time to make some observations and comparisons.

The first event was an ICHCA (International Cargo Handling and Coordination Association) luncheon at the Windsor Hotel in Melbourne where Mike Lean (CEO of the Port of Hastings Development Authority) was the keynote speaker giving his vision of "Victoria's next container port".

The second event was a dinner in Point Cook organised by the Committee for Wyndham where Paul Little (former managing director of Toll Holdings and now a director of Little Projects) outlined his views on a potential site for a container terminal at Bay West (a site in Port Phillip Bay near Point Wilson).

Mr Little is still the largest private shareholder of Toll Holdings and a heavyweight in the Australian logistics industry.

Mr Lean gave some figures on the proposed development stating that the available deepwater access would allow 18,000-teu container vessels to call at Hastings and the container terminal will have a potential throughput of 9m teu per annum.

Approximately 3500 hectares of land are available for development of port and logistics related activities and the Westernport highway would be upgraded to a dual carriage-way with a railway down the middle for the movement of containers by train to the Dandenong area.

When queried about the percentage of freight expected to be moved by rail, Mr Lean stated that this was yet to be determined by government.

To put these figures into context the current 14.5 metres draft in the Port Phillip channel will allow vessels of up to 8000-teu capacity to call at the port of Melbourne (currently most

vessels are about 4000-teu capacity or smaller).

Current annual throughput in Melbourne is approximately 2.5m teu and the proposed capacity once Swanson Dock and Webb Dock container terminals are fully developed is 5m teu. This capacity is expected to be reached in about 15 years based on current annual container volume growth figures.

On the other hand Mr Little pointed out that while a substantial amount of money is required for dredging at the Bay West option, the overall cost of establishing a container terminal and accompanying supply chain requirements for the movement of freight would be substantially less than the Hastings option on account of the superior road and rail infrastructure connections already available in the west.

Furthermore the proposed Western Interstate Freight Terminal at Truganina and the significant number of logistics providers and distribution centres already situated in the west make a move to the other side of town more costly and illogical.

Mr Lean however, is of the belief that "build it and they will come", bearing in mind it will be up to 10 years until the port is able to handle containers, which would give businesses enough time to relocate to the Hastings/Dandenong area.

Bay West would only be able to accommodate vessels up to 8000 teu but experts argue that in Australia we will never see the 18,000 teu vessels anyway, as our relatively small population (even in 50 years time) means it will not be warranted.

Current trends indicate that the largest population growth in Melbourne will be in the west, hence a substantial amount of freight would have to be moved from Hastings across Melbourne to the west by road or rail.

The Port of Melbourne 2009 Container Logistics Study has indicated that more than 50% of import containers were destined for, and nearly 50% of export containers originated

from, areas to the north and west of Melbourne.

To put this into context, assume that half of the proposed 9m teu for Hastings has a destination or origin on the other side of town. This would require the movement of 4.5m teu or 1.5m B-double trucks (at 3 teu per truck) or 50,000 freight trains (at 90 teu per train).

Assuming that the industry works 24/7 this would mean nearly 4200 trucks or 140 trains per day will have to find their way across the road or rail network.

At the dinner, Mr Little jokingly held Victorian Labor MP Tim Pallas (who was at the dinner as the local member for Tarnet) responsible for the loss of the beach near his house in Portsea on account of the Port Phillip Bay channel deepening project. (Mr Pallas was minister for ports in the previous Victorian Labor government when the channel deepening was undertaken).

Maybe in 10-years time Mr Little will accuse Dr Napthine (now premier of Victoria, but previously minister for ports and responsible for the development approval of Hastings) of allowing freight trains to thunder through Toorak (where Mr Little currently resides) moving containers from the east to the west of Melbourne.

While it is pleasing to see that the government does have a vision for the development of freight-related infrastructure, I believe it is prudent that the whole of the supply chain is taken into consideration rather than just looking at the availability of a suitable deepsea port.

With this in mind, a more in-depth study should be undertaken to assess the suitability of Bay West as a container port to complement the port of Melbourne, rather than making a decision which we might come to regret in 20-years' time.

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Implication

Premier Li Keqiang oversees the nation's economic affairs, is said to regard growth as the effective remedy for any slowdown, according to reports from Beijing.

A mere suggestion that government has established a limit to economic slowdowns in the stock markets around the world, because of the implication that some form of new strategy might be considered.

But a safer bet is on a contraction of China demand from here on in.

One signal that the government means to conduct business differently was news of a new government building.

Similar bans have been before and premier Li vowed coming to power earlier than that a new ban would be enforced.

Bans have been difficult to enforce in the past as local governments ignored them but not only ostentatious government buildings but also roads, roads and airports.

The government's resolve to slow this type of development is linked to its anti-corruption efforts and aims to reform the reputation of the Communist Party.

The resolve is serious. Slower growth in China summary, is going to result in slower demand for infrastructure that sustain dry-bulk shipping. That is not good news for shipowners that have to sell Japan and China shipyards and other dry-bulk class newbuildings.

The optimistic view that dry-bulk market will finally in 2014 appears to be based on rate of expansion that China no longer achieve.

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Level 2, 120 Sussex Street, Sydney NSW 2000

Printed by Spot Press, Murrumbidgee NSW 2204

precising rise in uranium ore sparking a more robust size rates market, this is ated with a continued high of steel production that is to decrease once the full of the government's production is felt.