

## Victorian legislation to lease the Port of Melbourne

May 2015

The Victorian Treasurer, the Hon Tim Pallas MP has introduced the *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015* into State Parliament this week.

The Port of Melbourne is Australia's largest general and container port. It handles almost 7,000 containers per day, and in 2013-14 paid a dividend of \$43.7 million to the Victorian Government.

This bill stems from Labor's 2014 election policy commitment to fund the removal of 50 level crossings by privatising the Port of Melbourne. The legislation proposes that the port's commercial operations will be leased for a maximum term of 50 years and to establish the Victorian Transport Fund (VTF).

The legislation guarantees proceeds from the lease will go to the VTF and used to support the removal of level crossings and other Government transport initiatives such as the Melbourne Metro and the West Gate Distributor.

The lease will also make Victoria eligible for a 15 per cent payment from the Commonwealth Government's asset recycling initiative, to be invested in new infrastructure projects.

The eventual leaseholder will be responsible for improving the port's capacity to operate efficiently and to maintain other assets of the port in order to be returned to public hands in good condition. The Victorian and Commonwealth Governments will maintain the responsibility to oversee the regulation of the port's security and environmental functions. Station Pier will remain in public hands.

The Victorian Treasurer has said the Government will work with the lease holder to manage traffic around the port.

The Essential Services Commission, Victoria's independent economic regulator, will oversee the pricing structure for port users. Annual tariff increases will be capped at the Consumer Price Index. The Victorian Treasurer has said the lease is good news for producers and manufacturers who export.

Furthermore, the Port of Melbourne Corporation recently released its Reference Tariff Schedule (RTS) 2015-16, detailing there will be a price freeze on loaded international export container charges in order to enhance the competitive position of the port within Australia. The RTS will become effective from 1 July 2015.

Upon successful passage through both houses of State Parliament, the lease transaction's Joint Financial Advisers, Morgan Stanley and Flagstaff, will call for expressions of interest on behalf of the State.



Labor needs the support of the Opposition in the Upper House to pass the legislation. Victorian Greens leader Greg Barber has said his party will not support the legislation.



**Update: 18 August 2015**

A Port of Melbourne Select Committee was appointed by the Victorian Legislative Council on 7 August 2015.

The Committee have been appointed to inquire into and report on issues surrounding the proposed lease as per the *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015*, which is currently before the Parliament.

The Committee has called for submissions from individuals, groups or organisations addressing the Terms of Reference. Submissions will close on 11 September 2015.

Details about how to make a submission or contribute at a public hearing can be found on the Committee's website [here](#).



**Update: 30 September 2015**

**Port Regulatory Regime Safeguards Added**

On 30 September, the Victorian Government announced it would make refinements in order to strengthen the regulatory framework around the final Port of Melbourne lease transaction.

The new economic safeguards announced by the Victorian Government are as follows:

- The Essential Services Commission will undertake a periodical review to determine whether a misuse of any market power by the final Port Leaseholder occurs when setting the rent rate of the Port;
- Documents will be made publicly available when the lease transaction is completed relating to capacity levels and trigger points in relation to the Port Growth Regime – which is a payment regime to deal with a limited set of circumstances where international container trade moves through a State sponsored second port; and
- The Port Leaseholder will be required to introduce a market standard rent review process, including dispute resolution by an independent property market expert to any new tenants or renewing tenants who seek to undertake this process.

The Victorian Government has developed these safeguards following concerns raised by the Australian Competition and Consumer Commission (ACCC) about, “the incentive and ability to exercise substantial market power in land rent costs at the Port of Melbourne.”

The ACCC has recognised that the proposed Port Growth Regime for the Port of Melbourne will provide stronger oversight than any other privately operated port in Australia.



**Further information**

The Victorian Government's media release on the lease of the port is available [here](#).

The Treasurer's Second Reading speech on the bill is available [here](#).

Hawker Britton's Occasional Paper on Labor's 2014 Election Policies is available [here](#).