

13/03/2015

Peter Harris AO  
Chairman. The Hearing into Workplace Relations.  
Australian Government Productivity Commission.

Dear Chairman,

**Submission to the Productivity Commission hearing into the Workplace Relations Framework.**

Our submission is dated 1/3/2015 and has been published in the Commission web pages. This letter covers an added matter that has just become public and is presented in haste to fall within the Commission's requirement that submissions are to be received by today 13<sup>th</sup> March 2015.

The following text has been copied from the most recent edition of "World Cargo News"

Quote:

*WORLD CARGO NEWS*

*Published: 11 March 2015*

***Melbourne operators face huge rent increases***

*Tenants, users and customers are to make a united approach to the Australian Competition and Consumer Commission seeking regulation of major Australian ports.*

*The move follows revelations the soon-to-be-privatised Port of Melbourne Corporation is seeking a 767% increase in land rental from stevedore DP World Australia, from around A\$15 sq m to \$120 a square metre.*

*The PoMC and its owner the Victorian Government have defended the rise as the outcome of an independent and regular review but the move is widely regarded as part of a "fattening-up" of Melbourne ahead of the proposed sale of a long-term lease.*

*Privatisation proponents have suggested the government could secure as much as \$7Bn for the port, with an expressions-of-interest process now getting underway.*

*DPWA rival Patrick is due to have its lease reviewed next year and John Mullen, chief executive of parent Asciano, today (11 March) warned that his company was already evaluating how much business could/would be diverted to other ports including Adelaide and Sydney if similar increases are applied. He estimated the cost of handling an average container would rise by \$82.*

*In a press release Mullen was highly critical of governments "artificially ramping up the value" of port assets. "While higher rents, longer committed lease periods and entrenched monopoly positions for port authorities help generate maximum value from port asset sales, the resulting flow through to costs become an additional tax on a state's importers and exporters, pushing up prices for consumers and making it harder for struggling manufacturers and exporters to compete.*

*“It’s a golden gravy train for state governments, investment banks and consultants, but ultimately its local industry and consumers that are left to pay the bill, Mulled said.”*

*The PoMC “money grab” has been widely condemned by maritime and industry bodies, including Shipping Australia, the Australian Peak Shippers Association and the Victorian Transport Association, as well as by the Tasmanian Government, which notes that over 90% of the island state’s containerised exports and imports pass through Melbourne.*

*Asciano argues that the rent increases in Melbourne are such that they “will significantly alter the economics that currently make it impractical to divert material volumes from one port to another in Australia. We estimate up to 20 % of current container volumes through the Port of Melbourne could be lost”.*

*However, a wider concern that Melbourne will just be the latest port to push up prices in connection with privatisation – following similar behaviour by Brisbane, Newcastle, Port Botany (Sydney) and Port Kembla – is driving the ACCC push. The Commission has already expressed its concern over the pricing power of monopoly infrastructure providers.*

*Well-placed sources suggest the new Melbourne rents have been determined by the rent global terminal operator ICTSI was prepared to pay last year to secure the port’s third international container terminal development at Webb Dock.*

Unquote.

We have every reason to expect this form and degree of cost escalation will be copied in all other main land ports.

It is also quite clear that two consequential effects will follow.

1. The cost increases will quickly pass through the systems to consumers in Australia and will penalise Australian exporters competing in international markets.
2. The job shedding moves to port automation will not pause and may intensify. It is reasonable to predict that our ports will be virtually without waterside workers in 5 to 10 years. This prediction is based on Shannon knowledge of the industry.

We are aware that this matter is not within the Commission’s terms of reference. We believe the Workplace Relations reform is exceedingly important and we have made an appropriate effort to produce a practical submission. We are concerned that this event, the cost increases and the way they are imposed, will hinder the public acceptance of any improvements to Workplace Relations that the PC recommends because it reinforces public distrust and cynicism of governments.

Sincerely,

JW Shannon. .FIE Aust. CPEng. NPER