



# Port of Melbourne

## Port Capacity Enhancement Program Stage Two – Draft Cost Benefit Analysis Stakeholder Engagement Summary

Port of Melbourne



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# 1.0 Background

## Draft Cost Benefit Analysis

Given the importance of accommodating future demand for the state of Victoria, the Port of Melbourne Operations Pty Ltd (PoM) has begun the process of planning for the next stage of port capacity: Port Capacity Enhancement Program (PCEP).

PCEP involves developing a new international container terminal and securing the long-term future for Tasmanian Trade Operators (TTOs).

Containerised trade at the Port of Melbourne (the Port) is forecast to more than double in the next thirty years. Based on the assumptions modelled in the Deloitte Access Economics' PCEP Draft Cost Benefit Analysis (CBA), the Port will be unable to accommodate the anticipated demand without a substantial change in capacity.

To continue supporting the Victorian economy, it is important that in accordance with PoM's stewardship obligations, port capacity can meet the future demands of Victoria's growing economy.

The PCEP Draft CBA was undertaken in line with the Victorian Department of Treasury and Finance's (DTF) guidelines.

PoM carried out engagement on the PCEP Draft CBA from Friday 24 May to Wednesday 31 July 2024. A total of 23 submissions were received. PoM responded to each submission, closing the loop throughout October and November 2024. What PoM heard from stakeholders in Stage Two has been consolidated in this report.

## Engagement

The PoM Stakeholder Engagement Framework shows the way PoM engages and sets clear expectations for its employees, contractors and stakeholders. PoM's Pricing Order Engagement Protocol (POEP), based on the requirements in the Pricing Order, allows PoM to chart a process and approach.

In line with these documents, PoM is committed to engaging transparently and inclusively with stakeholders, ensuring that stakeholders are provided with sufficient time and information to contribute meaningfully.

The engagement approach also references the International Association for Public Participation (IAP2) Spectrum for Public Participation. In this case, a Consult level of participation was offered. Consult includes a promise that PoM will "...keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how stakeholder input influenced the decision".

As part of this process, the draft CBA was published on the PCEP webpage. PoM, in collaboration with Deloitte, hosted three focused online briefing sessions. The content was tailored to three cohorts addressing the interests and concerns of: cargo owners/importers and exporters; shipping lines; and tenants and stevedores.

Stakeholders were encouraged to engage with the draft CBA, to enquire, and to provide their views using one-on-one meetings, an online feedback form, and/or written submissions. Satisfying the provisions of the Stakeholder Engagement Framework, PoM's engagement was genuine, transparent, inclusive, accountable, timely, and had a focus on continuous improvement.

The above provides the context for understanding the obligations that necessitated this process, and PoM's ongoing commitment to stakeholder engagement in line with the POEP and Stakeholder Engagement Framework requirements.

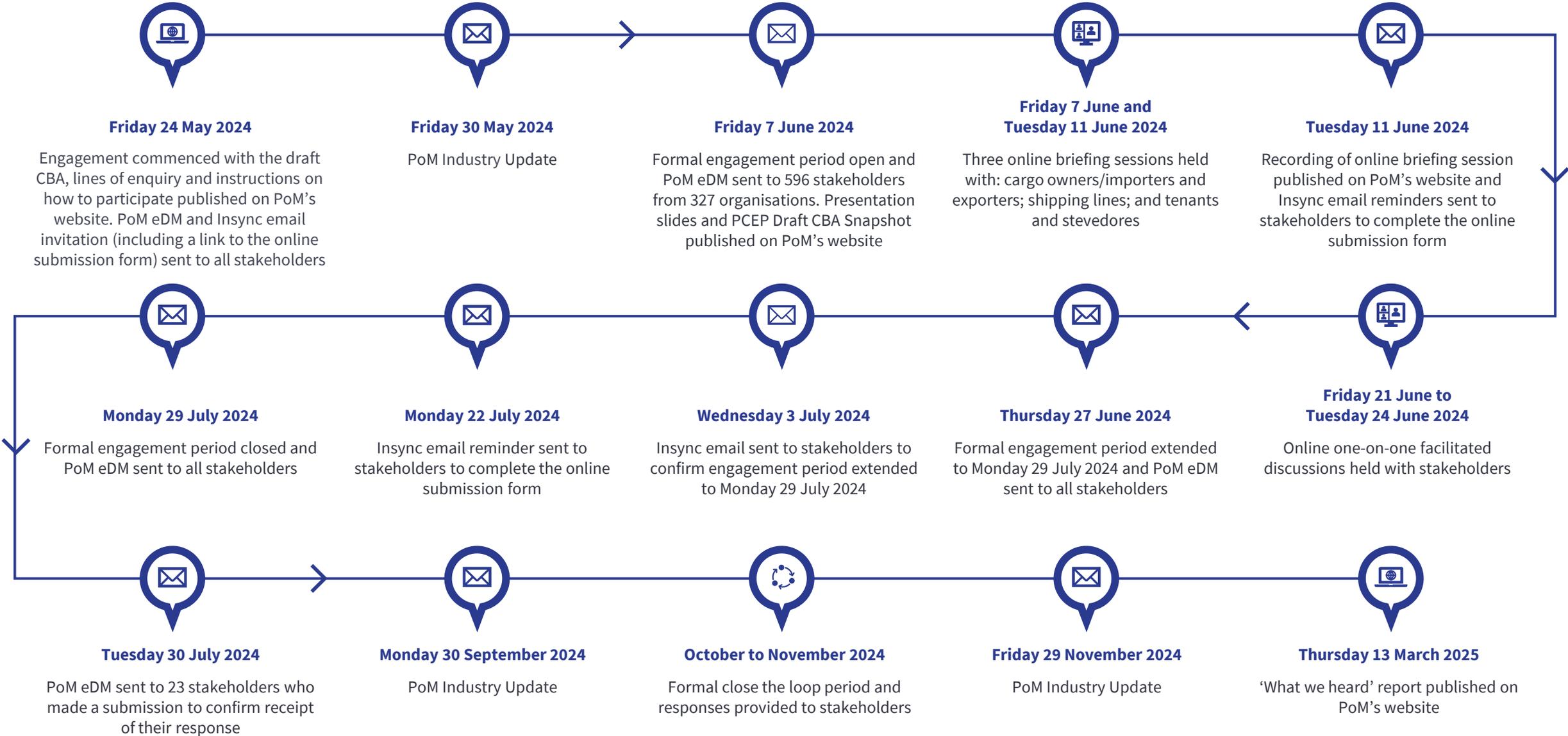
## Progress and next steps

Since closing the loop, PoM has been focused on additional insights provided by stakeholders to inform the draft 2055 Port Development Strategy (PDS), which is a mandated process in PoM's long term planning.

However, there are some aspects of the draft CBA that Deloitte will undertake further work on. This includes identifying details relating to other states, environmental elements, additional sensitivity analysis and reviewing some key assumptions.

PoM had a number of related workstreams underway, including ongoing bilateral discussions with stevedores in response to feedback received through the draft CBA and other processes to understand potential capacity and productivity enhancement options. PoM continues planning for development to meet demand.

# 2.0 Engagement overview



# 3.0 Lines of enquiry

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The engagement program covered five main lines of enquiry to inform discussions and submissions relating to the PCEP Draft CBA (see Appendix C for a copy of the submission template). Respondents were informed in writing that, in general, “Your comments are on the record. After each question you will be asked whether you would prefer your response to stay out of the public domain. Selecting ‘yes’ will mean that only Port of Melbourne and its advisors will see what you have written.”

Summarising the feedback is a complex task because:

- There was a total of 23 written responses from four different aggregated stakeholder cohorts:
  1. Four responses from cargo owners/importers and exporters
  2. Three responses from shipping lines
  3. Eight responses from tenants and stevedores
  4. Eight responses from other organisations such as unions, industry groups and associations, and government.
- Within each group there was a great deal of diversity.
- Many of the stakeholders have different commercial preferences regarding the future development of the port.
- Occasionally this report contains little in the way of detail due to the commercial in confidence nature of the submissions. In those cases, PoM staff have had conversations with stakeholders to understand capacity and efficiency of the Port.

The five lines of enquiry were:

- 1 What are your reactions and thoughts on the draft Cost Benefit Analysis?**
- 2 Is there anything that would improve the accuracy of the final Cost Benefit Analysis? (excluding inputs from forecast reports engaged on between September 2022 and September 2023)**
- 3 In the context of benefits and impacts to the Victorian economy, is there anything that is not in the draft Cost Benefit Analysis, that should be in the (final) Cost Benefit Analysis?**
- 4 Does your business/industry have any anticipated or developed business decisions that may directly help or affect Webb Dock North being implemented?**
- 5 How would you like to be engaged with about PCEP in the future? (this line of enquiry was included due to PoM’s interest in continual improvement, which also satisfies the Stakeholder Engagement Framework and the Pricing Order Engagement Protocol)**

# 3.1 What are your reactions and thoughts on the draft Cost Benefit Analysis?

## What are your reactions and thoughts on the draft Cost Benefit Analysis?

The feedback revealed a general consensus that the draft CBA was well-thought out and provided a solid foundation for decision-making.

### Cargo owners/importers and exporters

Feedback from cargo owner/importer and exporter submissions was positive about the comprehensiveness of the draft CBA, acknowledging that the document is heavily focused on container vessels, which aligns with the anticipated increase in trade demand.

Some of the cargo owners/importers and exporters commented on rail. They shared concerns about the exclusion of rail infrastructure in the expansion plans. One respondent noted the importance of considering rail expansion as part of the overall port solution, suggesting the need for government policy and pricing controls to support this.

### Shipping lines

Two of the shipping line submissions acknowledged the thoroughness of the draft CBA and saw it as a means to enhance supply chain resilience and berth flexibility. However, one shipping line queried the benefits calculations, pointing out challenges such as berthing window availability and disruptions due to weather.

There was some criticism from shipping lines about the draft CBA being too narrow in focus, particularly regarding its emphasis on the Victorian economy at the expense of the implications on other regional and national areas.

### Tenants and stevedores

Two of the tenant/stevedore submissions acknowledged that the key costs and benefits had been adequately addressed in the draft CBA. One submission acknowledged that Option 1 was more pragmatic and viable as long as it included a scaled down version of pre-delivery inspection (PDI). Another pointed out that Option 2 would not work for roll-on/roll-off vessels. None of the submissions from this group expressed a preference for Option 2.

Tenant/stevedore responses also included concerns about the potential impacts of traffic congestion, road safety, and environmental impacts, including suggestions for further exploration of these issues. Two organisations argued the draft CBA focused too heavily on containerised trade, potentially omitting key costs and making unrealistic assumptions, particularly concerning other trades such as bulk liquids, or roll-on/roll-off vessels.

One tenant/stevedore submission requested a range of further clarifications on the draft CBA, including engagement on timing and capacity options.

### Other stakeholder groups

Of the eight submissions received from “other” organisations, comprising unions, industry groups and associations, and government, there were repeated mentions of the need for a more integrated rail solution that could handle increased volumes and reduce the reliance on road transport.

## 3.2 Is there anything that would improve the accuracy of the final Cost Benefit Analysis?

### Is there anything that would improve the accuracy of the final Cost Benefit Analysis?

Almost half of the responses received had no further suggestions to improve the accuracy of the final CBA. Of those which did offer suggestions, many requested more robust and up-to-date data including recent forecasts, cost estimates, and sensitivity analyses.

#### Cargo owners/importers and exporters

One of the cargo owner/importer and exporter submissions reiterated the need to consider rail infrastructure within the port precinct, emphasising that this aspect is crucial for clearing volume and reducing congestion.

#### Shipping lines

One of the shipping line submissions raised concerns about the narrow focus of the draft CBA, contending that the current scope doesn't adequately address the broader economic implications for jurisdictions beyond Victoria. They noted that certain costs had been overlooked due to insufficient consultation, and that inadequate sensitivity analysis eroded their confidence in the figures presented.

Another shipping line expressed scepticism about the draft CBA's ambition for increased vessel sizes for Melbourne, suggesting this might not be an important factor in the near future.

One of the shipping line submissions emphasised the need to include a broader range of costs in the final CBA. They mentioned specific capital expenditures, additional fuel costs, CO2 emissions, and vehicle operating costs, arguing that these are currently underrepresented or unclear in the draft CBA.

Another shipping line recommended the draft CBA include indirect costs, particularly those related to environmental/social impacts as well as increased operating costs.

There were also calls for a more detailed evaluation of the logistical challenges and costs associated with the expansion options, including the relocation of Tasmanian Terminals and the potential for increased congestion and emissions.

#### Tenants and stevedores

A tenant/stevedore questioned whether the construction timeline for Option 2 (Webb Dock West) was realistic and suggested that the final CBA should include additional trade displacement modelling beyond 2037. They pointed out discrepancies in vessel size accommodation and market share projections between PoM and its stakeholders, and suggested more coordinated capacity planning.

Another tenant/stevedore requested that Bay West be included as an alternative option, noting that the current two options were not sufficiently different from one another. They requested that landside congestion costs be included in the final CBA since they are critical to understanding the full impact of enhancing port capacity, given the potential traffic congestion issues at Webb Dock in the early 2030s.

A further tenant/stevedore submission recommended an independent review of the data inputs to the draft CBA (particularly those provided by PoM) to ensure they are not overly conservative. Other suggestions included more substantive analysis on competition, utilisation, and the assumptions related to land bridging and vessel congestion costs.

Lastly, a tenant/stevedore submission noted that the draft CBA overlooked the potential impact of excluding PDI facilities on Port land, which in their view could lead to significant vehicle delivery delays, increased supply chain costs, and the need for additional transport fleet capacity in Victoria. This would further result in increased traffic congestion and environmental emissions.

#### Other stakeholder groups

A submission from the "other" category recommended the draft CBA include indirect or intangible benefits such as social, environmental and economic benefits.

# 3.3 Is there anything that is not in the draft Cost Benefit Analysis, that should be in the (final) Cost Benefit Analysis?

## Is there anything that is not in the draft Cost Benefit Analysis, that should be in the (final) Cost Benefit Analysis?

Stakeholders from multiple groups noted the need for a more comprehensive assessment of environmental impacts, including emissions, noise, and other factors.

### Cargo owners/importers and exporters

One of the cargo owner/importer and exporter submissions suggested exploring the possibility of reducing capital expansion at PoM by leveraging capacity at Port Botany in Sydney – they proposed using a land-bridge approach, especially if containers can be transported by rail between Sydney and Melbourne, coupled with an incentive scheme to promote rail over road.

### Shipping lines

One of the shipping line submissions suggested that the final CBA include a distributional analysis that considers the broader impacts on businesses and consumers beyond Victoria, particularly through the Freight Equalisation Scheme.

Multiple submissions stressed the need to consider the absence of a rail connection to Webb Dock and its implications for increased road congestion, particularly in urban areas like Fishermans Bend. One of the shipping line submissions also noted the importance of considering recent rail capacity enhancements and how these could be integrated into the final CBA to build a more resilient supply chain for Melbourne.

A shipping line submission pointed out that the draft CBA may have underestimated the potential impact of supply chain inefficiencies resulting from stricter bio-security laws, referencing recent congestion issues in the automotive industry.

### Tenants and stevedores

A tenant/stevedore suggested that the final CBA should address the exclusion of the Webb Dock Freight Link, including incorporating the costs of increased road container movements if the rail link is not implemented. This includes impacts such as road congestion, pollution, and greenhouse gas emissions, which are crucial for a complete economic, environmental, and social impact assessment.

Furthermore, tenant/stevedore feedback highlighted the negative road freight externalities of port capacity enhancement, including increased road congestion, additional road wear, higher greenhouse gas emissions, and adverse effects on surrounding residential areas. Concerns were also raised about the impact of freight traffic on communities like Fishermans Bend, where urban renewal projects are underway, and the need for infrastructure planning that minimises disruption to these areas.

One participant also indicated that the final CBA should include the potential traffic and environmental impacts of eliminating the on Port land PDI model, such as increased congestion on the West Gate Bridge and additional truck emissions. They recommended that the analysis should also consider the lack of suitable land for inland PDI solutions and the risk of losing vehicle imports to other states.

### Other stakeholder groups

A respondent in the “other” category recommended a more detailed examination of the potential economic impacts of the proposed option. This included analysis on local employment, economic spillover and the long-term economic resilience of Victoria.

## 3.4 Does your business/industry have any anticipated or developed business decisions that may directly help or affect Webb Dock North being implemented?

### Does your business/industry have any anticipated or developed business decisions that may directly help or affect Webb Dock North being implemented?

#### Cargo owners/importers and exporters

A consistent theme from the cargo owner/importer and exporter group was the issue of rail access. Multiple submissions mentioned the lack of direct rail access to Webb Dock North and its potential negative impact on growth, especially concerning the Port Rail Shuttle Network (PRSN).

One cargo owner/importer and exporter submission highlighted potential impacts on vessel movements at the South Wharf precinct due to throughput increases, particularly if existing regulations by the harbour master regarding South Wharf are not managed properly.

#### Shipping lines

None of the shipping line responses referenced decisions that would directly help or affect the implementation of Webb Dock North.

#### Tenants and stevedores

Most tenant/stevedore responses didn't include anticipated or developed business decisions that would impact the draft CBA. Of those who shared views, one suggested that maintaining a scaled-down on-wharf (or adjacent) PDI facility at Webb Dock North to support the automotive supply chain would avoid making the Victorian port less competitive, although this did not represent an upcoming business decision on its part.

Other tenant/stevedore responses did share plans, but on a commercial in confidence basis. PoM has followed up with those respondents with a view to improving the quality of the draft CBA.

Another submission noted the potential to build another low-cost berth at Webb Dock for roll-on/roll-off vessels to aid in capacity management. It referenced the Somerton Intermodal Terminal which is scheduled for completion in late 2025. This facility aims to provide an alternative by moving containers by rail, offering environmental and cost benefits.

#### Other stakeholder groups

A submission from the "other" category was concerned with the Fishermans Bend Urban Renewal Area, where significant urban development is planned. It noted that future planning of Webb Dock North should consider the impact on this adjacent area, particularly in terms of freight routes, traffic congestion, and the transformation of industrial land into community spaces.

## 3.5 How would you like to be engaged with about PCEP in the future?

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### How would you like to be engaged with about PCEP in the future?

The most common response to this question across the gamut of stakeholders was to thank PoM for the opportunity to contribute, and an eagerness for further engagement as plans progress.

The feedback was scanned for alignment with PoM's principles of engagement, detailed in its stakeholder engagement framework: genuine, inclusive, timely, transparent, accountable, continuous improvement. Only one out of the 23 submissions made a criticism aligned to any of the principles. This response, from a shipping line, raised concerns about the engagement timelines for Stage Two, despite the extension of several weeks. Their submission requested more time and more information.

A range of engagement channels were recommended, including email, newsletters, status updates, and information about project developments, reports, and opportunities.

A few stakeholders also noted the importance of face-to-face meetings in addition to online briefings, to permit in-depth discussions on commercially sensitive issues.

Most stakeholders indicated they would like to stay involved with the PCEP process to ensure their concerns had been addressed, and that PoM has been transparent in its decision making.

# 4.0 Engagement approach



## Step one – Identify consultation need:

- PoM identified all stakeholders with a potential interest in the draft CBA and PCEP, casting the net as widely as possible to maximise inclusion.
- As part of its commitment to continuous improvement PoM also conducted a lessons learned session, reflecting on the experiences of the Stage One engagement. PoM recommitted to the importance of making meaningful participation as easy as possible, the need to be clear on the scope and limitations of the engagement, making the draft CBA as accessible as possible while also making deeper technical information available to sophisticated stakeholders, and addressing barriers to participation.



## Step two – Plan consultation approach:

- PoM identified five lines of enquiry on which to engage stakeholders.
- Each of the five lines of enquiry was followed by a question asking, “Do you want your response to remain out of the public domain?” followed by a check box: “Yes, I would prefer that only Port of Melbourne and its advisors see my response”.
- PoM provided a Consult level of influence according to the IAP2 Spectrum for Public Participation. This includes the promise that PoM will, “...keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how stakeholder input influenced the decision”.
- A rollout plan based on universal and inclusive principles was developed, tailoring the form of consultation to suit the engagement topics and stakeholders’ needs and preferences. This allowed for the varied knowledge base of different stakeholders, their level of interest, and their internal resources.

# 4.0 Engagement approach



## Step three – Implement consultation:

- A reasonable time period was provided for stakeholders to digest, contemplate and respond to the draft CBA. The submission form was sent to all stakeholders on Friday 24 May 2024, two weeks prior to the start of the formal submission period on Friday 7 June 2024. The engagement period was extended until Monday 29 July 2024, allowing seven weeks for stakeholders to give feedback.
- Subject Matter Experts from PoM and Deloitte prepared background materials with the aim of maximising stakeholder opportunities for participation. Materials were also tailored to the needs of specific stakeholder groups.
- Three online briefings were held with: cargo owners/importers and exporters; shipping lines; and tenants and stevedores. Hosted by Insync, PoM's Executive General Manager Strategy and Planning, Caryn Anderson, presented on the project background. Deloitte's Eamon McGinn presented on the draft CBA and key highlights.
- Two feedback mechanisms were developed. In addition to the secure online submission template, stakeholders were able to request a one-on-one facilitated discussion with PoM if they had questions about the draft CBA.
- At the end of the briefing, participants were directed to the draft CBA where they could find all the information that would be required for them to meaningfully participate in the engagement, and informed them of how they could provide their responses.
- A recording of the online briefing was uploaded onto the PoM website for those that could not attend the briefings.
- An online submission template was developed and tested for psychometric reliability and validity. The submission template had 13 questions including the five identified lines of enquiry.
- Insync emailed an organisational unique online submission link to 596 stakeholders from 327 organisations. Insync requested that stakeholders consolidate their organisation's response into one submission.
- Reminders were sent on Tuesday 11 June and Monday 22 July 2024. An email notifying all stakeholders about the engagement period extension was also sent on Wednesday 3 July 2024.
- The submission period was open from Friday 24 May to Monday 29 July 2024, longer than the engagement window defined in the POEP. Twenty-three completed responses were received.
- The degree of confidentiality being offered was made clear in the submission template. If respondents requested their responses be kept out of the public domain, they were advised that only PoM and its advisors would see their response. For this reason, it hasn't been possible to include some important contributions in this document.
- Records were kept on who was engaged, who attended the online and in-person briefings, the channels and materials used, the dates/times, objectives of the consultation, what was discussed, the issues raised, and details of the feedback.
- PoM responded to each participant who provided a formal submission and/or attended a one-on-one facilitated discussion.

# 4.0 Engagement approach



## Step four – Stakeholder feedback:

- Stakeholders were asked to provide feedback through the submission template.
- An option was provided for stakeholders to request a facilitated one-on-one session with PoM, as an opportunity to ask questions and to help shape submissions.
- Three stakeholder organisations requested and had a facilitated one-on-one discussion with PoM.
- One stakeholder provided additional correspondence to augment their submission. Four other stakeholders provided direct correspondence to PoM rather than using the online submission template.
- Eighteen respondents indicated they would prefer that only PoM and its advisors see their response, demonstrating the sometimes confidential and sensitive nature of the business decisions related to port capacity.



## Step five – Consideration and decision making:

- PoM has considered the feedback provided by stakeholders on the draft CBA for the proposed PCEP, undertaken by Deloitte.
- There are some aspects of the draft CBA that Deloitte will undertake further work on. This includes identifying details relating to other states, environmental elements, additional sensitivity analysis and reviewing some key assumptions. However, in most cases PoM has been focused on using additional insights provided by stakeholders to inform the draft 2055 PDS, which is a mandated process in its long term planning.
- The draft CBA process provided valuable additional information for the draft 2055 PDS, particularly on infrastructure development and port land use.
- PoM had a number of related workstreams underway, including ongoing bilateral discussions with stevedores in response to feedback received through the draft CBA and other processes to understand potential capacity and productivity enhancement options. PoM continues planning for development to meet demand.
- This report serves as a summary of what PoM heard from stakeholders in Stage Two of the engagement program for each material matter of consultation.



# Appendices



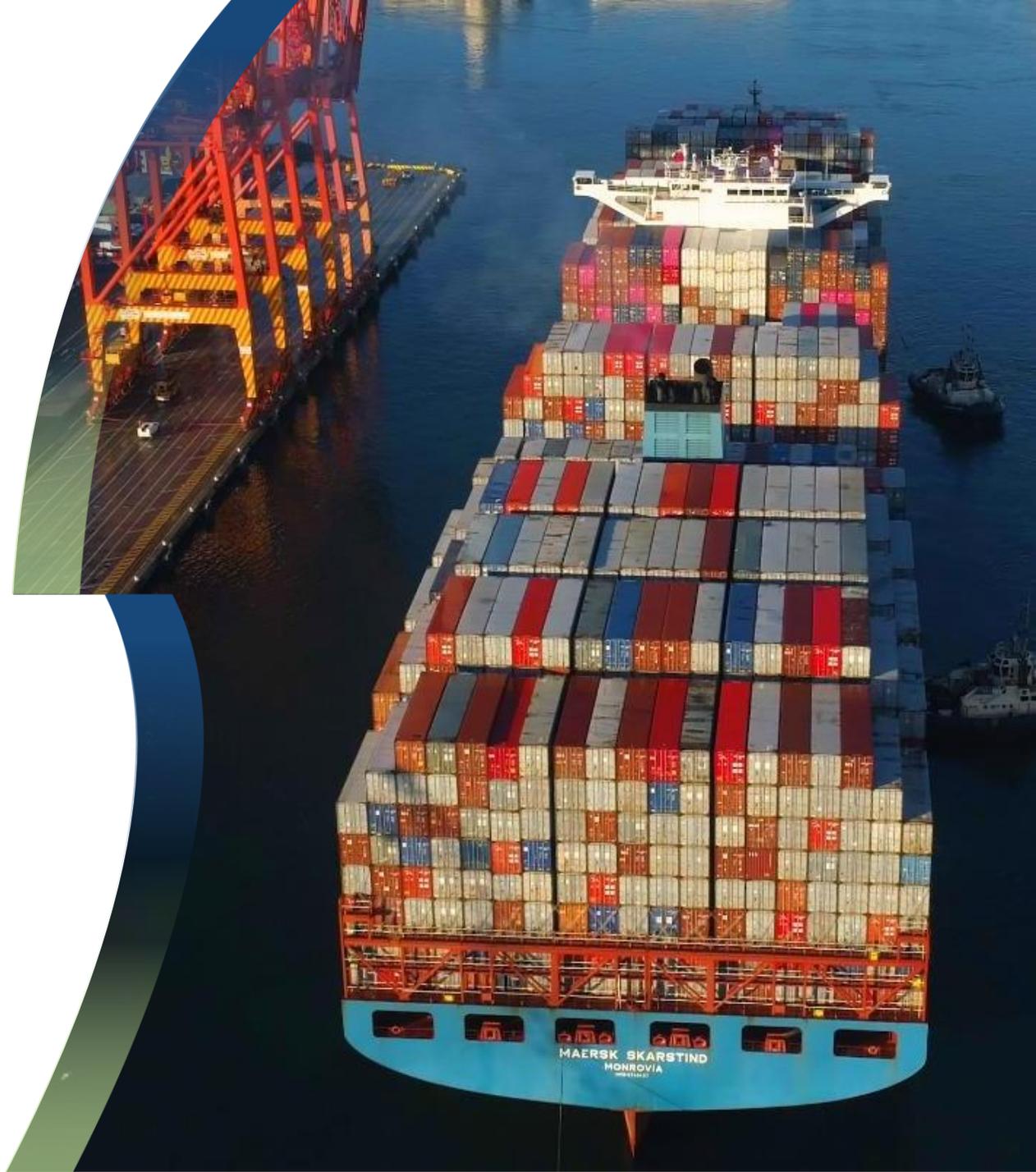
# Appendix A: Briefing session presentation

# Port Capacity Enhancement Program

Stage two engagement program

June 2024

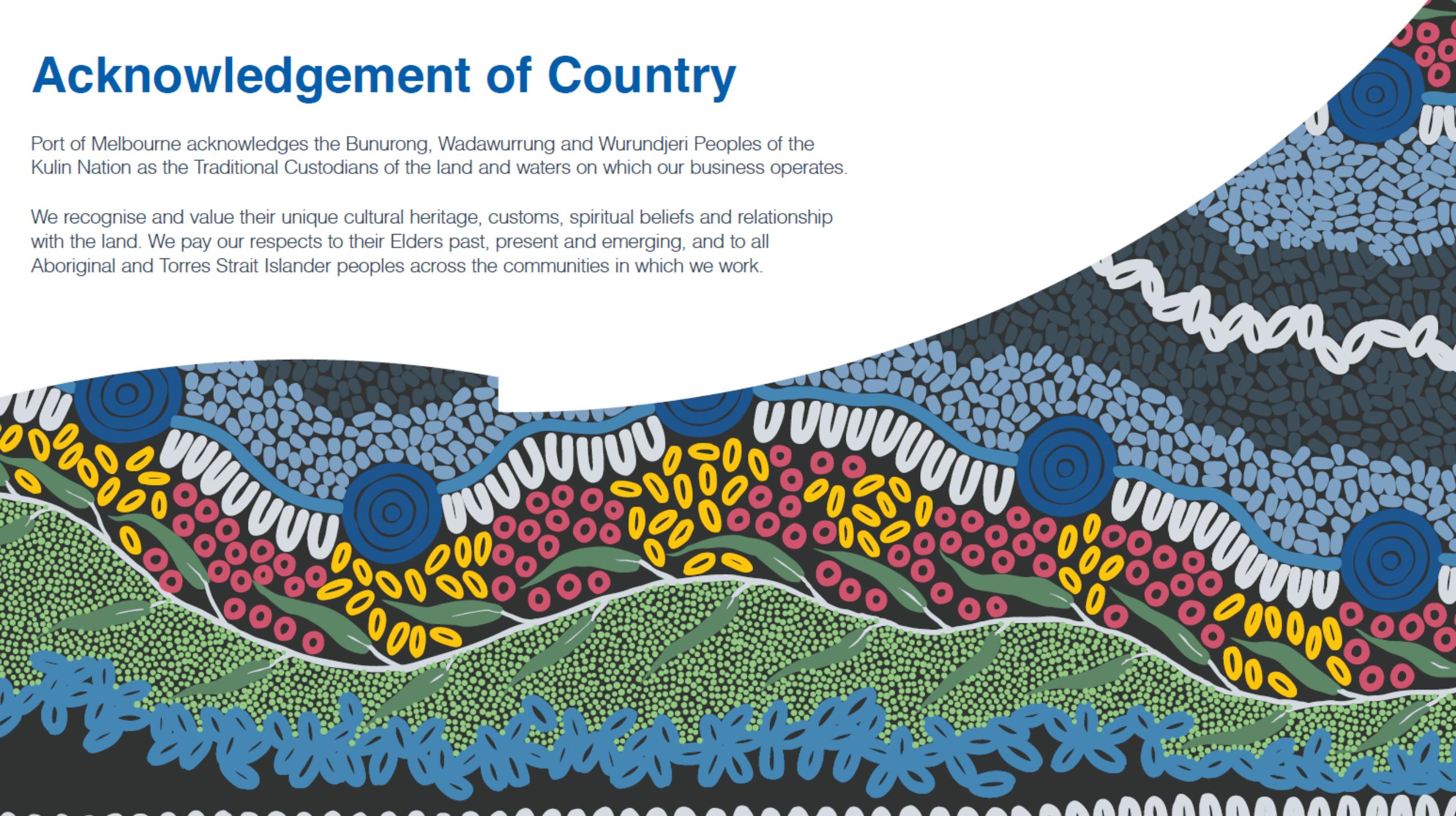
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# Acknowledgement of Country

Port of Melbourne acknowledges the Bunurong, Wadawurrung and Wurundjeri Peoples of the Kulin Nation as the Traditional Custodians of the land and waters on which our business operates.

We recognise and value their unique cultural heritage, customs, spiritual beliefs and relationship with the land. We pay our respects to their Elders past, present and emerging, and to all Aboriginal and Torres Strait Islander peoples across the communities in which we work.



# Welcome – Stage Two engagement program

The **purpose** of the Stage Two engagement program is to:

**Secure information from our stakeholders that contributes to our understanding regarding the costs and benefits to the Victorian economy, in delivering a fourth international container terminal at Webb Dock North.**

The **objective** of the Stage Two engagement program is to:

1. **Test and confirm the costs and benefits as they appear in the draft CBA, associated with Webb Dock North; and**
2. Hear about options for capacity improvements, provided by stakeholders.

# Purpose of today's briefing session

*Do you need any more information to understand the PCEP Draft Cost Benefit Analysis, to contribute and complete a submission?*

## PCEP Draft Cost Benefit Analysis five key findings

<p><b>1.</b> The base case scenario is insufficient to meet forecast trade demand</p>	<p><b>2.</b> Proceeding with PCEP would create net benefits to Victoria</p>	<p><b>3.</b> Option 1 has greater net benefits than Option 2</p>	<p><b>4.</b> Not proceeding with PCEP would have significant impacts on the supply chain and ultimately customers</p>	<p><b>5.</b> Delivering PCEP at an appropriate time can be beneficial to Victoria</p>
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# What we'll cover today



## Background

Caryn Anderson  
EGM Strategy  
& Planning  
*Port of Melbourne*



## Draft Cost Benefit Analysis

Name: Eamon McGinn  
Parnter  
*Deloitte*



## Key highlights



## Engagement program

James Garriock  
Executive Director  
*Insync*

# Background

Since the commencement of the Port Lease in 2016, PoM has conducted planning and engagement activities to inform the selection and development of preferred options for accommodating future growth in container trade.

This aligns with PoM's obligations under the Port Lease to manage and develop the port responsibly.

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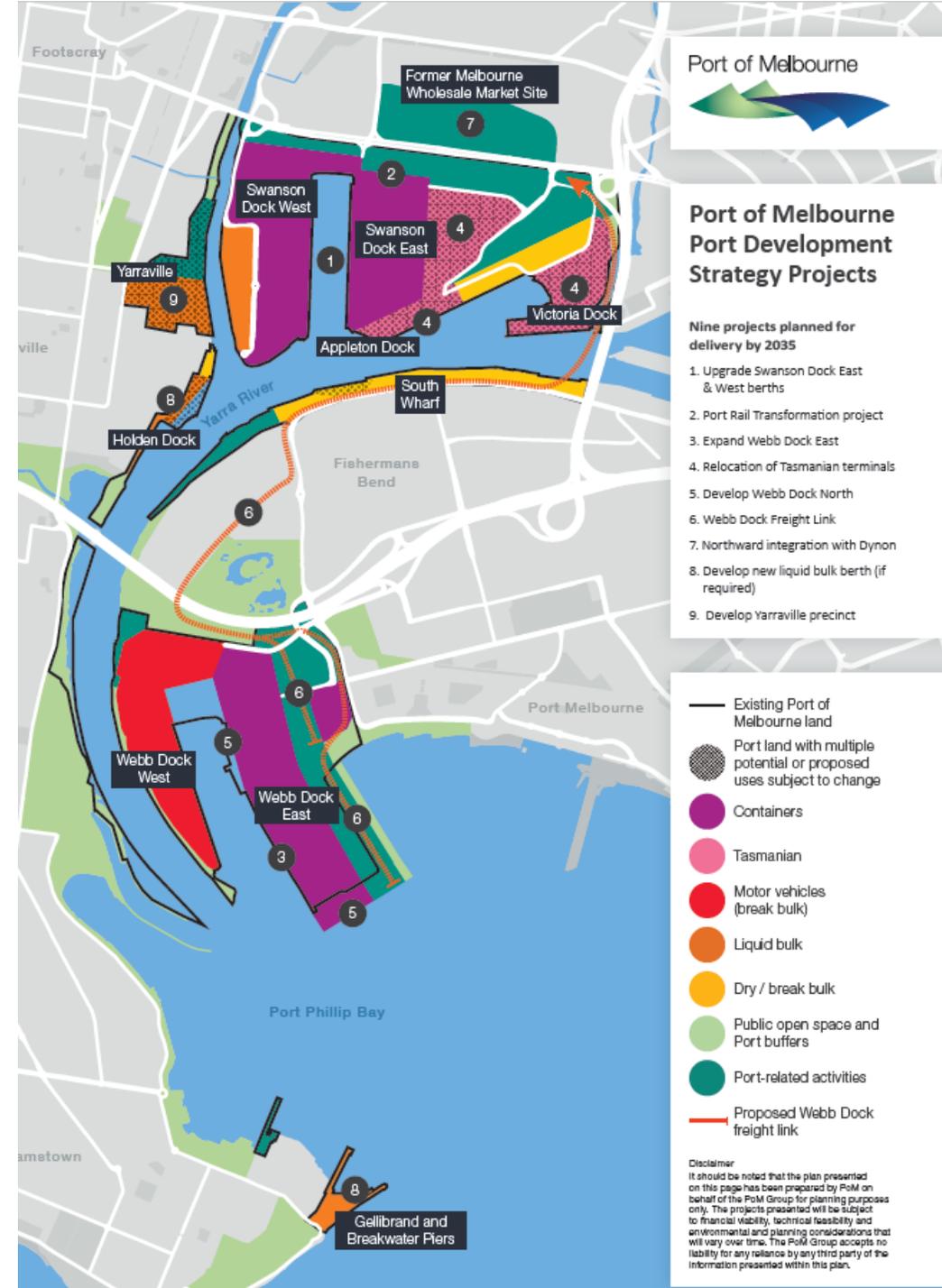
**Caryn Anderson**  
Executive General Manager  
Strategy and Planning

# Port Development Strategy

After extensive stakeholder engagement, expert advice, and internal analysis, the Port Development Strategy 2050 was formalised and released in 2020.

The strategy identified **Webb Dock North** as the preferred location for delivering additional container capacity and includes **relocation of Tasmanian Trades**.

Port Capacity Enhancement Program



# Port Capacity Enhancement Program

Developing Webb Dock North international container terminal and securing the long-term future for the Tasmanian trades.

Port of Melbourne



# Cost Benefit Analysis - Process

To further validate the conclusion in the PDS 2050, PoM engaged Deloitte Access Economics to develop a Cost Benefit Analysis to confirm that the next major expansion of the port as described in the PDS 2050 would deliver greater economic benefits to the Victorian Economy, in comparison to other options.

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# Three major activities prior to inform development of a draft Cost Benefit Analysis

1

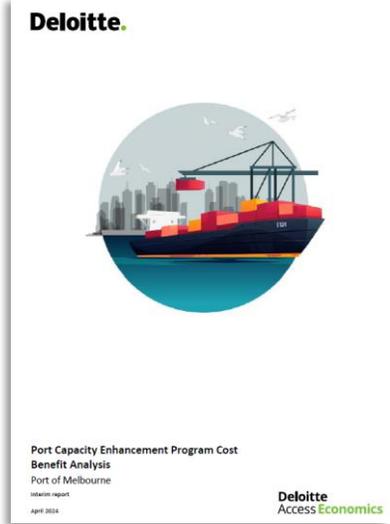
Develop and engage on the major inputs for a Cost Benefit Analysis

2

Develop the base case and options for analysis

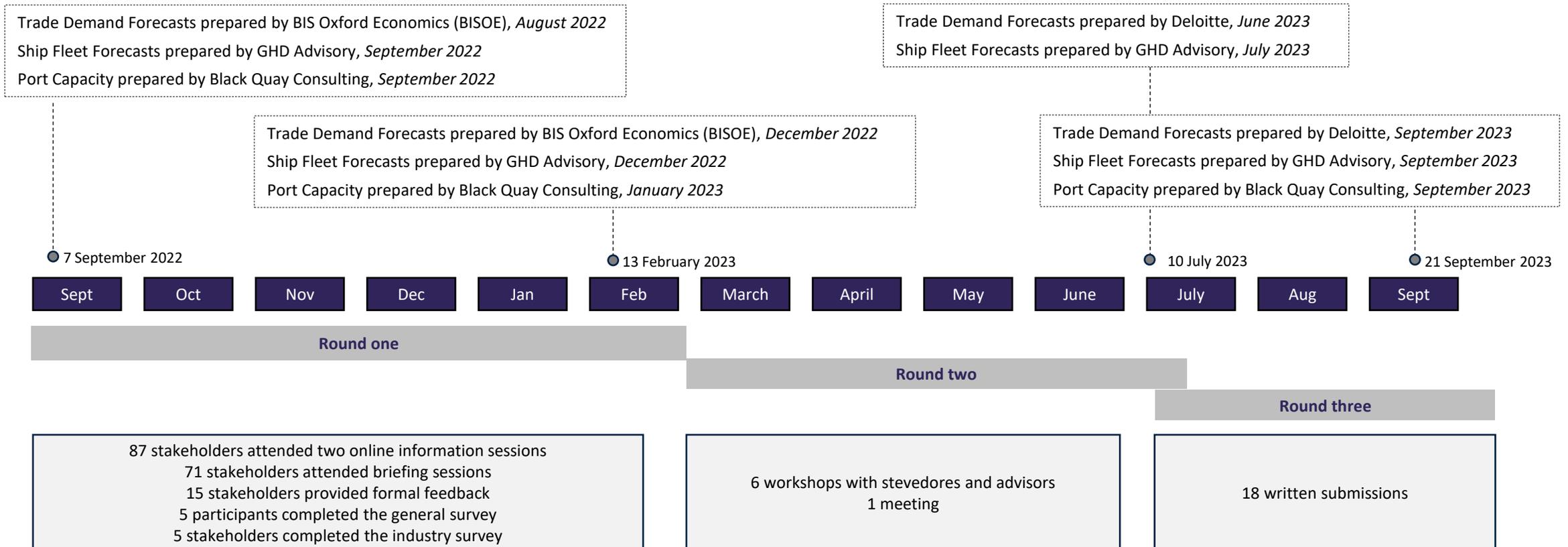
3

Conduct the economic analysis



# 1 Develop and engage on the major inputs for a Cost Benefit Analysis

## Stage one engagement program – September 2022 to September 2023



## 2 Develop the base case and options for analysis

### Base Case

Under the ‘**base case**’ it has been assumed that **Port activities would continue without significant capital expenditure by PoM**, however this is assumed **to include expenditure by stevedores**, which enhances stevedore capacity and productivity.

### Webb Dock North

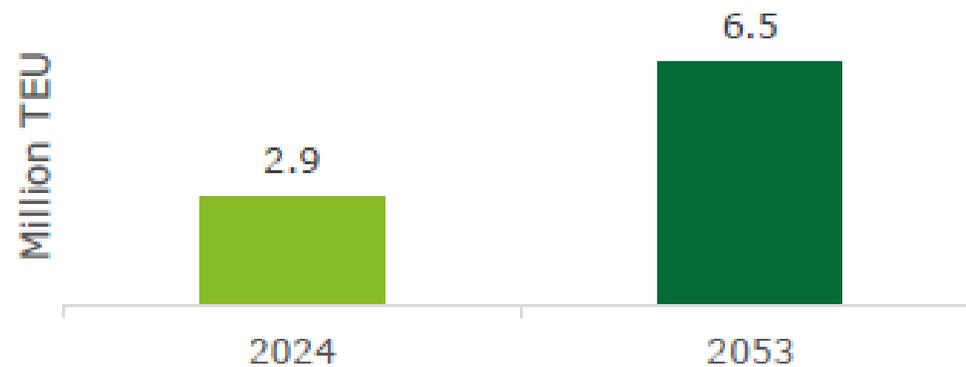
Under **Option 1** it has been assumed that a **two-berth container terminal would be built in Webb Dock North** and **TTOs would relocate to Victoria Dock** and an off-port logistics site. CAPEX for Option 1 would begin in 2027.

### Webb Dock West

Under **Option 2** it has been assumed that a **two-berth container terminal would be built in Webb Dock West** and **TTOs would move to Webb Dock West temporarily**, prior to returning to the Eastern side of Webb Dock, **automotive trades would move upriver to the SAV** (Swanson, Appleton, Victoria Docks) precinct. CAPEX for Option 2 would begin in 2024.

### 3 Conduct the economic analysis

Containerised trade at the Port of Melbourne is forecast to more than double within the next thirty years. Without a substantive change in capacity, based on the assumptions modelled in this report, the Port will be unable to accommodate the anticipated demand.





## PCEP Cost Benefit Analysis: Draft Report Summary

Port of Melbourne  
June 2024

# Context and approach

# Context

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## PoM commissioned Deloitte to undertake a cost benefit analysis (CBA) to analyse the Port Capacity Enhancement Program (PCEP) from the point of view of the Victorian community

- The objectives of PCEP are to increase the Port's future container capacity to accommodate expected trade growth and improve the Port's ability to handle larger vessels.
- Deloitte has undertaken a CBA of potential options for PCEP, which compared two PCEP options against a base case.
- Several key studies are taken as direct inputs to the cost benefit analysis, including Black Quay capacity estimates, GHD vessel forecasts, and PoM capex estimates and timing.
- Under the base case, capacity constraints are forecast to first arise at the Port **starting in 2037** and the Port is forecast to reach capacity on a sustained basis **starting 2041**.
- Vessel congestion is forecast for **one year in 2037**, and then **three years starting 2041**, and displacement of trade **starting 2044**.

# CBA approach

The CBA focuses on the impacts to the whole of Victoria.

## 1 Determine key assumptions

Define the base case and program case, and the assumptions underpinning the modelling (Section 5.2)

Scenarios:

Base case
Program case

Assumptions:

Time horizon
Reference group
Discount rate

## 2 Identify the expected economic benefits and costs of the project

Catalogue the cost and benefits associated with the policy options, and the logic for calculating the benefits/costs

Costs and benefits:

Benefit 1
Benefit 2
Cost 1
Cost 2

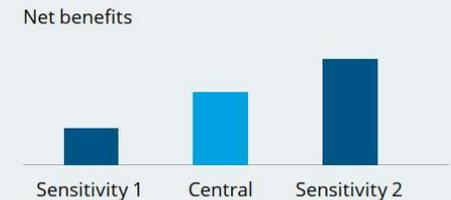
## 3 Estimate economic benefits and its net present economic value

Draws on research, and other data sources to quantify select benefits and costs over time



## 4 Identify the expected economic benefits and costs of the project

Understand the distribution of benefits and costs by stakeholder, and how changes to key assumptions (e.g. level of additionality) could affect results



### Key principles applied in a CBA include:

- Impacts must only be counted once (no double counting)
- Only direct effects are included (no second round or multiplier effects)
- Transfers, taxes or subsidies are excluded
- All effects are measured relative to the base case in incremental terms
- Victorian imports/exports and external port capacity are assumed to be exogenous
- All figures are in real terms using 2023 present value (PV) in \$AUD

# Context

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## What the CBA is:

- The CBA focuses on the impacts from the perspective of the Victorian community as a whole - in line with Victorian Department of Treasury and Finance guidelines.
- The analysis considers social, economic and environmental costs and benefits.
- Benefits in the CBA are compared against a base case which assumes a mostly unchanged Port: no changes to tenant locations, continued investment by stevedores in operational efficiency focussed on productivity improvements to extend current capacity.

## What the CBA is not:

- The CBA is not a commercial assessment of PCEP for PoM.
- The selected options analysed in the CBA are not final and are subject to further design, refinement or change. Changes would alter underlying CAPEX assumptions.
- The CBA is not the sole determinant of whether PCEP is implemented or the timing of the expansion if it goes ahead.
- The CBA does not reflect or select a specific investment decision by PoM.

# Base case and options

# Base case

The base case is the scenario against which the costs and benefits are compared.

- Capacity constraints are forecast to first arise at the Port in 2037 (for one year) and the Port is forecast to reach capacity on a sustained basis from 2041, which would result in vessel congestion for a period of three years from 2041, and displacement of trade from 2044.
- Displacement of containers would commence in 2044, rising to 1.92 million TEU by 2053 as shown in the chart on the right.

Chart 3.1 Base Case Displacement of Container Trade

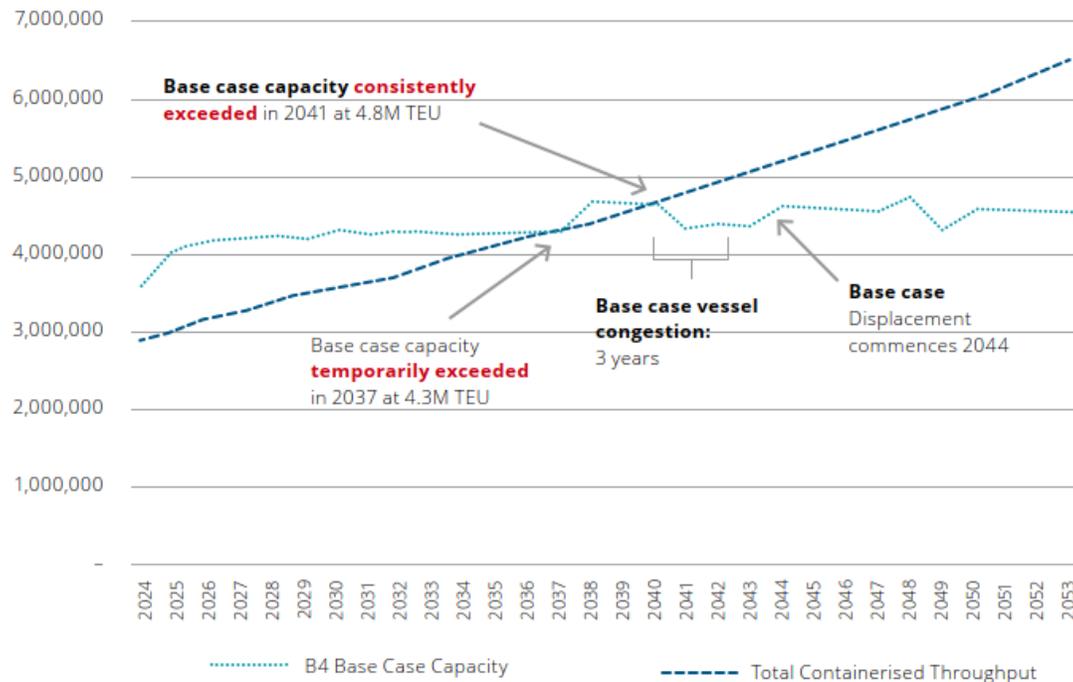
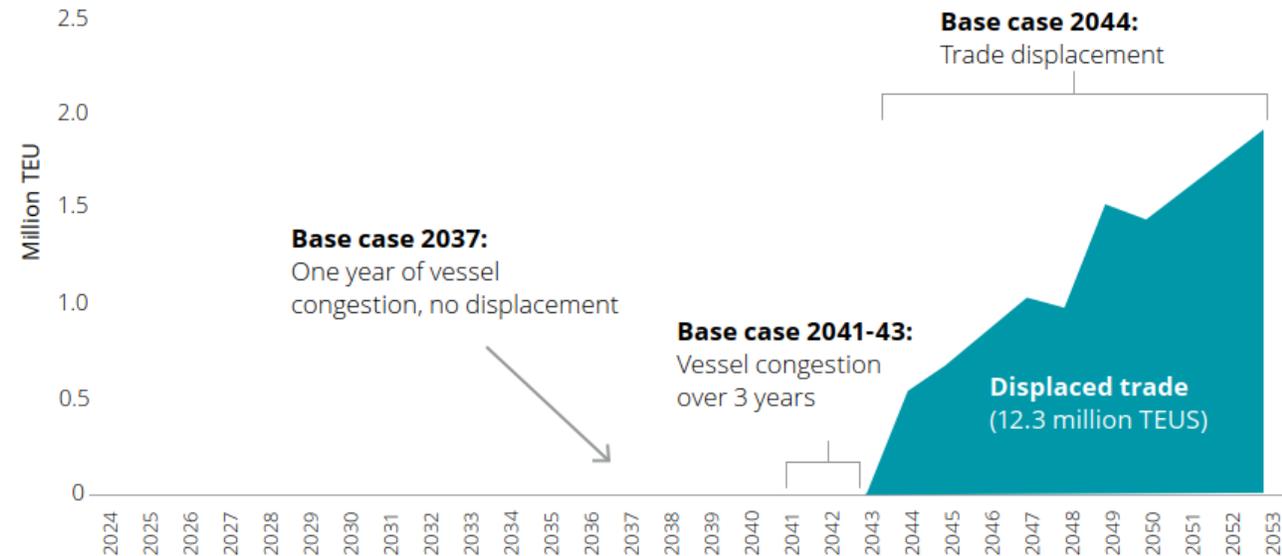


Chart 3.2 Base Case Displacement of Container Trade



# Option 1 (Webb Dock North)

Provides for a two-berth container terminal developed on the area north of the existing VICT terminal, on the eastern side of Webb Dock.

- The dock would accommodate 2 x 14,000 TEU vessels with LOA of 366m. Additional stevedore investments in cranes and straddles (as per base case) would remain for existing terminals, and continued productivity improvements. The terminal would be active in 2037 (construction is assumed to commence in 2027).
- Option 1 would involve TTOs moving from Webb Dock to Victoria Dock with off-port logistics. It has been assumed PrixCar moves off-port. Qube would re-locate further north in the SAV precinct, and Auto trades would remain in Webb Dock. Proposed design options are indicative and may be subject to change.
- PoM could continue to meet demand until 2051, thereafter, additional capacity would be required to avoid displacement of container trade.

Chart 4.1 Projected Capacity and Total Container Throughput

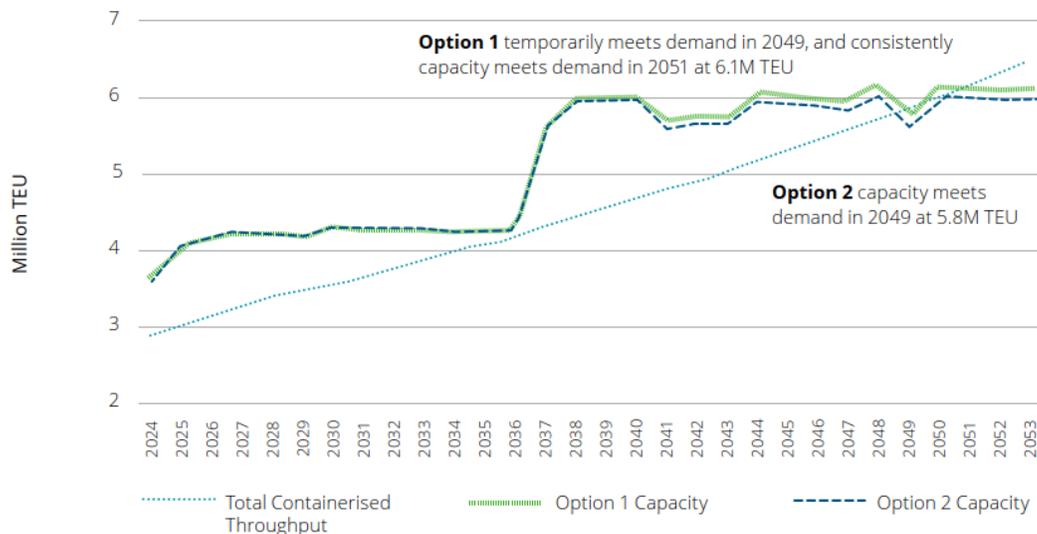
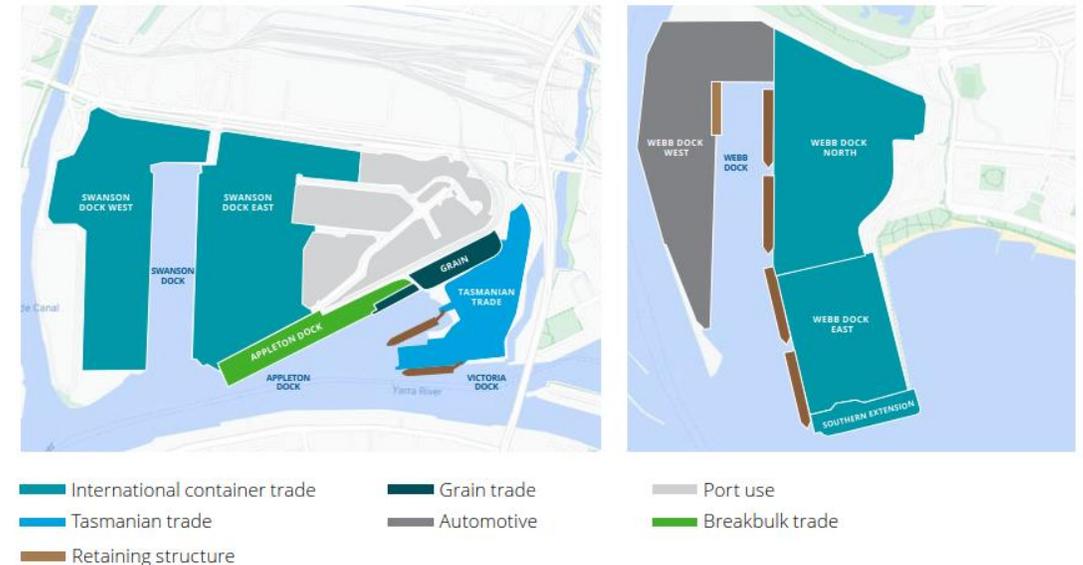


Figure 4.1 Option 1, tenant locations



# Option 2 (Webb Dock West)

Provide for a two-berth container terminal developed on the western side of Webb Dock.

- The dock would accommodate 2 x 14,000 TEU vessels with LOA 366m. Additional stevedore investments in cranes and straddles (as per base case) would remain for existing terminals, and continued productivity improvements. The terminal would become active in 2037 (construction is assumed to commence in 2024).
- Option 2 would involve TTOs remaining at Webb Dock and auto trade moving to Victoria Dock and Appleton Dock sharing the space with break bulk. As in Option 1, PrixCar is assumed to move off-port and Qube will re-locate further north in the SAV precinct. The designs are indicative and subject to change.
- Option 2 would accommodate total containerised throughput until 2049 with a maximum of 5.8 million TEU.

Chart 4.1 Projected Capacity and Total Container Throughput

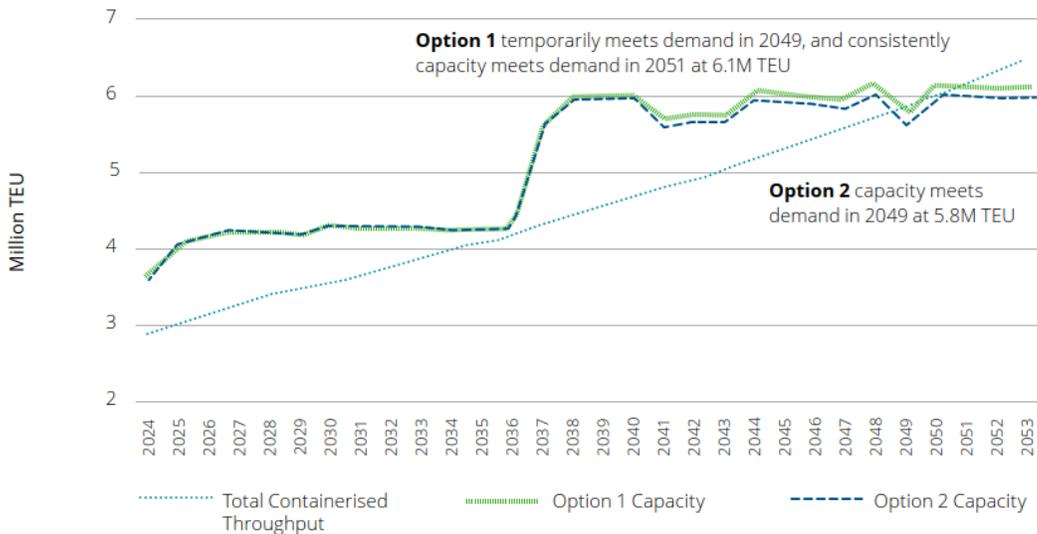


Figure 4.2 Option 2, tenant locations

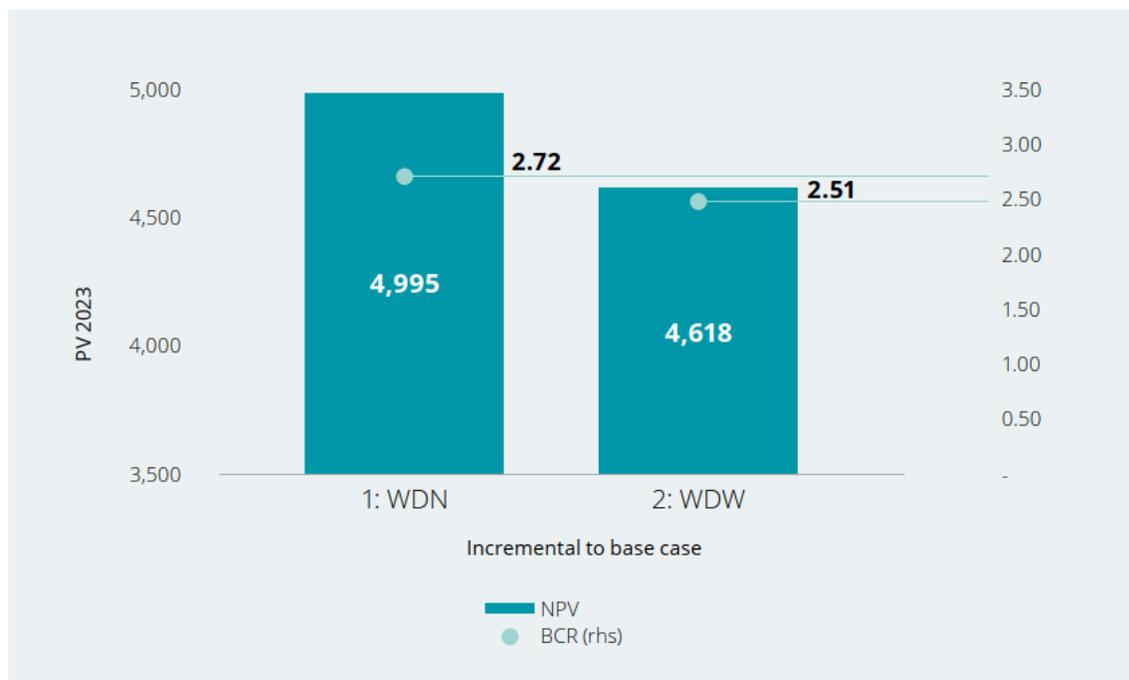


# Core CBA results and findings

# CBA results

The results of the CBA show that there is a net benefit to the State by delivering PCEP.

Chart 5.1 CBA Results – Incremental to the base case (\$PV, millions)



Source: Deloitte Access Economics

Note: Chart is truncated so should not be used to observe proportionality

	Op 1: WDN	Op 2: WDW
<b>Costs</b>		
Capital expenditure by PoM and tenants (CAPEX)	2,384	2,744
Structural maintenance and renewal	160	173
Tasmanian trade near-port logistics truck movements to and from PoM	179	-
PrixCar off-port relocation supply chain costs	90	89
Tasmanian trade vessel steaming costs from relocation up-river	45	-
Automotive trade vessel steaming costs from relocation up-river	-	11
Container vessel costs (calling at PoM)	49	46
<b>Benefits</b>		
On-port direct economic activity from capacity uplift (net of OPEX)		
Port of Melbourne	561	444
Terminal Operators	121	116
Residual land value of new container terminals	133	110
Avoided land bridging VOC and externalities of displaced container trade		
Road	2,626	2,484
Rail	53	50
Avoided vessel congestion cost	644	880
Cargo owner savings from avoided land bridging (road and rail)	2,572	2,432
Cargo owner savings from economies of scale of larger vessels at PoM	1,112	1,105
Residual value of new equipment and wharf	81	62
<b>Total</b>		
Costs	2,907	3,064
Benefits	7,902	7,682
NPV	4,995	4,618
BCR	2.72	2.51

# Key findings

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There are five key findings resulting from the CBA modelling.

## 01 **The base case scenario is insufficient to meet forecast trade demand**

Under the base case, stevedores are forecast to make investments which would increase the operational capacity and productivity of the Port. However, while this could meet demand in the short term, ultimately, capacity would still be reached sooner than when it would be reached under both options. As such, continuing a 'business as usual' scenario with investment undertaken by stevedores is insufficient to meet the trade demands of the next 30 years.

## 02 **Proceeding with PCEP would create net benefits to Victoria**

As additional capacity is delivered at the Port, there are several benefits to be gained by the Victorian economy, which would be greater than the benefits of the base case. Under PCEP, there would be greater economic activity at the Port, reduced overall supply chain costs due to avoided land bridging and vessel congestion, and larger ships accommodated at the Port, meaning economies of scale are experienced. As such, proceeding with PCEP would benefit the Victorian economy.

## 03 **Option 1 (WDN ICT) has greater net benefits than Option 2 (WDW ICT)**

While both options have net benefits, Option 1 (WDN ICT) has greater benefits relative to the base case. There is increased capacity compared to Option 2, which would result in greater benefits to be gained by the Victorian economy, through benefits to the Port, stevedores, and consumers. Option 1 also allows for greater optionality to expand capacity in the future, and has a lower CAPEX compared to Option 2.

## 04 **Not proceeding with PCEP could have significant impacts on the supply chain and ultimately consumers**

Without proceeding with PCEP, the Port would reach capacity earlier resulting in significant disruptions to the supply chain. As vessels are assumed to be diverted to Port Botany, containers would need to be transported by rail and road to Victoria. This would result in increased vehicle operating costs, road damage and negative externalities which is significantly more expensive than the vessel operating costs associated with arriving at PoM. Consumers and exporters in Victoria would face higher supply chain costs putting pressure on households and export business margins.

## 05 **Delivering PCEP at an appropriate time can be beneficial to Victoria**

There is a window of opportunity for when capacity uplift of the Port should be delivered (according to trade demand forecasts and capacity estimates). The analysis suggests there is a six-year<sup>4</sup> window in which PCEP could be delivered and yield a strong net benefit to the Victorian economy.

# Key points for stakeholders

# Key points relating to Shipping Lines

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## Congestion

- Port congestion surcharges have been assumed to be imposed if the Port reaches capacity, over the first three years of vessel congestion.
- The CBA assumes that costs incurred by shipping lines are passed onto the Victorian consumer.

## Capacity

- It is assumed that the Port experiences congestion after capacity is reached.
- Following the vessel congestion period of three years, containers above capacity are assumed to be displaced to Port Botany, at which point the container surcharge is assumed to cease.

# Key points for Cargo Owners, Importers and Exporters

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PCEP would be expected to improve the Port's ability to handle larger vessels with a capacity of up to 14,000 twenty-foot equivalent units with a length overall of 366m.

## Congestion

- Port congestion surcharges have been assumed to be imposed if the Port reaches capacity, over the first three years of vessel congestion.
- Following the vessel congestion period of three years, containers above capacity are assumed to be displaced to Port Botany, at which point the container surcharge is assumed to cease.

## Land-bridging

- The land-bridging cost between Sydney and Melbourne is calculated for road and rail modes. Most of the forecast displaced trade is assumed to be transported by road.

# Key points for Tenants & Stevedores

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## Timing

- There is a six-year window in which delivering PCEP would yield a positive net benefit to the Victorian economy. Implementing PCEP later (3 years after) 2037 could reduce the infrastructure expenditure in present value terms.

## Investment

- The CBA assumes that stevedores will make ongoing investments as needed to achieve the base case capacity forecast.

## Tenant relocation

- The CBA assumes that under PCEP, certain tenants may be impacted by costs associated with relocation. There are no tenant relocations under the base case.

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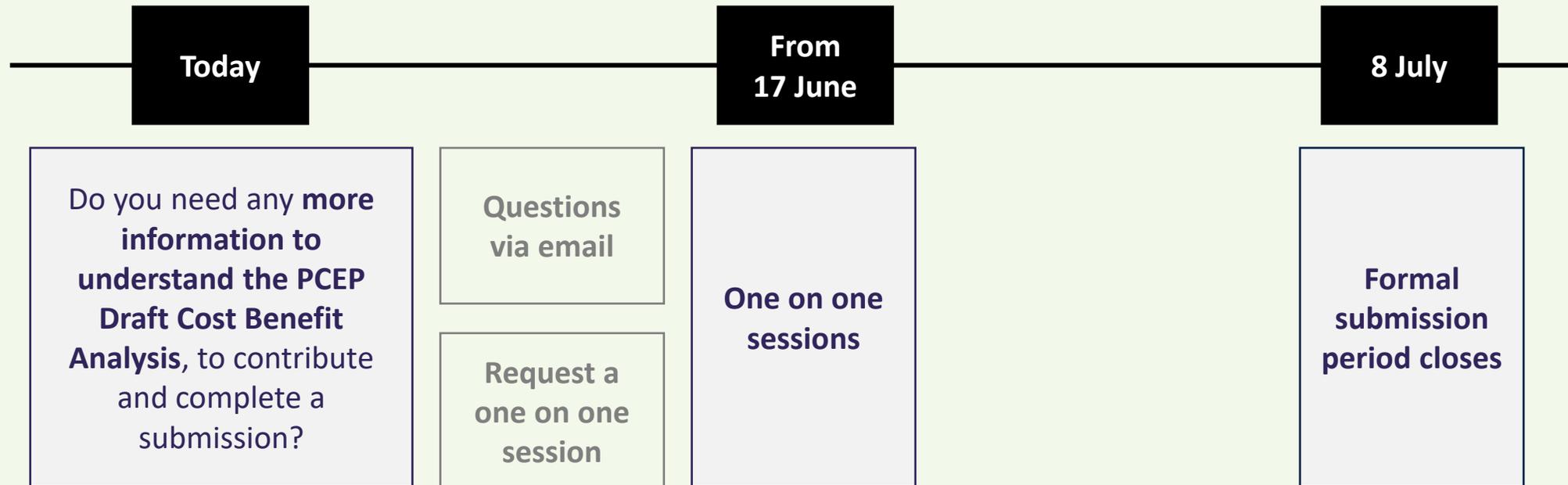
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# Next steps

Engagement facilitated by Insync

# Next steps – engagement



# Engagement – consider the below for discussion and submissions



What are your reactions and thoughts on the draft cost benefit analysis?



Is there anything that would improve to the accuracy of a final Cost Benefit Analysis?



In the context of benefits and impacts to the Victorian economy, is there anything that is not in the draft Cost Benefit Analysis, that should be in the (final) Cost Benefit Analysis?



Do you have any anticipated or developed business decisions that may directly help or affect Webb Dock North being implemented.



How would you like to be engaged with about PCEP in the future.

# Discussion

# Thank you

[portdev@portofmelbourne.com](mailto:portdev@portofmelbourne.com)

Webpage:

[www.portofmelbourne.com/facilities-development/port-capacity-enhancement-program/](http://www.portofmelbourne.com/facilities-development/port-capacity-enhancement-program/)

Port of Melbourne





# Appendix B: PCEP Draft Cost Benefit Analysis Snapshot

# Port Capacity Enhancement Program Cost Benefit Analysis (CBA) snapshot

## Summary of key findings

Outlined below are five key findings resulting from the analysis:

- 01 The base case scenario is insufficient to meet forecast trade demand**

Under the base case, stevedores are forecast to make investments which would increase the operational capacity and productivity of the Port. However, while this could meet demand in the short term, ultimately, capacity would still be reached sooner than when it would be reached under both options. As such, continuing a 'business as usual' scenario with investment undertaken by stevedores is insufficient to meet the trade demands of the next 30 years.
- 02 Proceeding with PCEP would create net benefits to Victoria**

As additional capacity is delivered at the Port, there are several benefits to be gained by the Victorian economy, which would be greater than the benefits of the base case. Under PCEP, there would be greater economic activity at the Port, reduced overall supply chain costs due to avoided land bridging and vessel congestion, and larger ships accommodated at the Port, meaning economies of scale are experienced. As such, proceeding with PCEP would benefit the Victorian economy.
- 03 Option 1 (WDN ICT) has greater net benefits than Option 2 (WDW ICT)**

While both options have net benefits, Option 1 (WDN ICT) has greater benefits relative to the base case. There is increased capacity compared to Option 2, which would result in greater benefits to be gained by the Victorian economy, through benefits to the Port, stevedores, and consumers. Option 1 also allows for greater optionality to expand capacity in the future, and has a lower CAPEX compared to Option 2.
- 04 Not proceeding with PCEP could have significant impacts on the supply chain and ultimately consumers**

Without proceeding with PCEP, the Port would reach capacity earlier resulting in significant disruptions to the supply chain. As vessels are assumed to be diverted to Port Botany, containers would need to be transported by rail and road to Victoria. This would result in increased vehicle operating costs, road damage and negative externalities which is significantly more expensive than the vessel operating costs associated with arriving at PoM. Consumers and exporters in Victoria would face higher supply chain costs putting pressure on households and export business margins.
- 05 Delivering PCEP at an appropriate time can be beneficial to Victoria**

There is a window of opportunity for when capacity uplift of the Port should be delivered (according to trade demand forecasts and capacity estimates). The analysis suggests there is a six-year window in which PCEP could be delivered and yield a strong net benefit to the Victorian economy.



# Summary of key assumptions



## What the CBA is:

- The CBA focuses on the impacts from the perspective of the Victorian community as a whole - in line with Victorian Department of Treasury and Finance guidelines.
- The analysis considers social, economic and environmental costs and benefits.
- Benefits in the CBA are compared against a base case which assumes a mostly unchanged Port: no changes to tenant locations, continued investment by stevedores in operational efficiency focussed on productivity improvements to extend current capacity.

## What the CBA is not:

- The CBA is not a commercial assessment of PCEP for PoM.
- The selected options analysed in the CBA are not final and are subject to further design, refinement or change. Changes would alter underlying CAPEX assumptions.
- The CBA is not the sole determinant of whether PCEP is implemented or the timing of the expansion if it goes ahead.
- The CBA does not reflect or select a specific investment decision by PoM.

	Base case	Option 1	Option 2
<b>Overview</b>	Additional stevedore, as well as increased TEU ratio and crane rates, reflecting higher productivity.	Two-berth container terminal developed on the area north of the existing VICT terminal, on the eastern side of Webb Dock.	Two-berth container terminal developed on the western side of Webb Dock.
<b>Timing</b>	Commencing in 2025 (over a period of four years).	Commencing in 2027 Online in 2037	Commencing in 2024 Online in 2037
<b>CAPEX</b>	CAPEX of \$321 million (Present Value (PV) terms).	Total CAPEX of \$2.384 billion (PV) plus assumed base case CAPEX of \$321 million commencing in 2025.	Total CAPEX of \$2.744 billion (PV) plus assumed base case CAPEX of \$321 million commencing in 2025.
<b>Capacity</b>	Capacity exceed at 4.8m TEU.	Maximum 6.1 million TEU containerised throughput until 2051.	Maximum 5.8 million total containerised throughput until 2049.
<b>Congestion</b>	One year of vessel congestion in 2037, three years of vessel congestion from 2041.	Vessel congestion from 2051-2053.	Vessel congestion from 2049-2051.
<b>Displacement</b>	Displacement of containers from 2044.	No trade displacement during the CBA assessment period.	Container trade displacement from 2051.





# Appendix C: Submission template



# Response to the Port Capacity Enhancement Program Draft Cost Benefit Analysis



Thank you for your ongoing interest and participation in Port of Melbourne's [Port Capacity Enhancement Program](#) (PCEP) Stage Two engagement.

Port of Melbourne has engaged an independent researcher for PCEP Stage Two engagement, [insync](#). Your organisation has been provided with a unique link to complete a formal submission prior to 5:00pm, Monday 29 July 2024.

To ensure fair and equal representation, please consolidate your organisation's response into one submission. The unique link that you have been provided with is for your organisation's response. It can be shared with your colleagues to allow different subject matter experts to complete the part of the submission that is relevant to them. Your submission can also be saved and returned to later. Please don't share the unique link with anyone outside your organisation, or overwrite the contributions of your colleagues.

PCEP enquiries can be provided directly to Port of Melbourne by emailing [portdev@portofmelbourne.com](mailto:portdev@portofmelbourne.com).

Your submission will go to Insync, and is subject to its Privacy Policy which can be [viewed here](#).

In general, your comments are on the record. After each question you will be asked whether you would prefer your response to stay out of the public domain. Selecting "yes" will mean that only Port of Melbourne and its advisors will see what you have written.

**Start Survey ▶**

This is page 1 of 3

## About you / your organisation

Organisation name:

Organisation type:

- Cargo owner
- Freight forwarder
- Government
- Industry group/association
- Service provider
- Shipping agent
- Shipping line
- Stevedore
- Supply chain – rail and/or road
- Supply chain – warehousing
- Terminal
- Union
- Other – please specify:

Main contact person in the organisation completing this response:

Contact number:

In general, your comments are on the record. After each question you will be asked whether you would prefer your response to stay out of the public domain. Selecting "yes" will mean that only Port of Melbourne and its advisors will see what you have written.

**Save and Continue ▶**

## Cost Benefit Analysis

1. What are your reactions and thoughts on the [draft Cost Benefit Analysis](#)?

1a. Do you want your response to remain out of the public domain?

Yes, I would prefer that only Port of Melbourne and its advisors see my response

2. Is there anything that would improve the accuracy of the final Cost Benefit Analysis? (excluding inputs from [forecast reports](#) engaged on between September 2022 and September 2023)

2a. Do you want your response to remain out of the public domain?

Yes, I would prefer that only Port of Melbourne and its advisors see my response

3. In the context of benefits and impacts to the Victorian economy, is there anything that is not in the draft Cost Benefit Analysis, that should be in the (final) Cost Benefit Analysis?

3a. Do you want your response to remain out of the public domain?

Yes, I would prefer that only Port of Melbourne and its advisors see my response

4. Does your business/industry have any anticipated or developed business decisions that may directly help or affect Webb Dock North being implemented?

4a. Do you want your response to remain out of the public domain?

Yes, I would prefer that only Port of Melbourne and its advisors see my response

◀ Save and Go Back

Save and Continue ▶



## Future engagement

How would you like to be engaged with about PCEP in the future?

◀ Save and Go Back

Save and Finish ▶

**Thank you for your ongoing interest and participation in Port of Melbourne's Port Capacity Enhancement Program (PCEP).**

Your answers have been submitted to Insync.

At the conclusion of Stage Two engagement, Port of Melbourne will provide formal responses to submissions. Port of Melbourne is committed to keeping its stakeholders up to date and will advise of updates to the PCEP webpage as the project progresses.

If you have any questions about PCEP, please email [portdev@portofmelbourne.com](mailto:portdev@portofmelbourne.com) and a project team member will be in touch.



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