

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
Overview	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.
Timing	Commencing in 2025 (over a period of four years).	Commencing in 2027 Online in 2037	Commencing in 2024 Online in 2037
CAPEX	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.
Capacity	Capacity exceed at 4.8m TEU.	Maximum 6.1 million TEU containerised throughput until 2051.	Maximum 5.8 million total containerised throughput until 2049.
Congestion	One year of vessel congestion in 2037, three years of vessel congestion from 2041.	Vessel congestion from 2051-2053.	Vessel congestion from 2049-2051.
Displacement	Displacement of containers from 2044.	No trade displacement during the CBA assessment period.	Container trade displacement from 2051.