



Hon Melissa Horne MP

Minister for Consumer Affairs, Gaming and Liquor Regulation
Minister for Ports and Freight
Minister for Fishing and Boating

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Mr Paul Zalai
Director
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Dear Mr Zalai

Thank you for your letter of 1 February 2022 regarding the Voluntary Port Performance Model (VPPM) and your advocacy for regulation at the Port of Melbourne.

I am committed to progressing the State Government's response to pricing and performance at the Port of Melbourne. As you are aware, I commissioned the first state-based review of landside terminal access charges in 2020. This provided a comprehensive understanding of the complexities of the land side supply chain.

A central finding of the report was that there was no compelling case for economic regulation of stevedore charges at the Port of Melbourne at this time. Instead, it proposed setting voluntary standards to increase transparency, providing notification of pending price changes and an opportunity for engagement between industry and stevedores.

It has been around eighteen months since I implemented VPPM and through this time, the model has provided greater certainty to transport operators of when pricing changes occur, allowing them to factor this timing into contract renegotiations. The implementation of the VPPM has enabled extensive industry engagement with stakeholders across the supply chain on both pricing and performance, from stevedores to transport operators, from empty container park operators to peak bodies such as yourselves.

The Voluntary Pricing Protocol has also supported a measurable difference in stakeholder behaviour. For example, I note that DP World Australia has now committed to reviewing its landside charges no more than once per annum, instead of the previous practice of reviewing prices every 6 months. DP World Australia has also committed to providing 30 days additional notice to industry for proposed and final pricing charges than what is required under the pricing protocol.

The Voluntary Performance Monitoring Framework has delivered a greater understanding on performance at the Port of Melbourne. Over time, this will provide valuable insight into

how our port is operating as most indicators are reported by stevedore terminal rather than aggregated at the port level. I recently publicly released the Strategic Review into the Empty Container Supply Chain and work is underway to further expand this reporting into the empty container supply chain.

I am a firm believer in continuous improvement. For a matter as complex as our supply chains, I am also committed to measured and evidenced step changes to ensure an appropriate response to these important issues. I have directed the Department of Transport to commission an independent review of the VPPM to assess its progress to date and identify opportunities to strengthen and refine the model.

Extensive stakeholder engagement will inform the development of this review, with findings expected to be released as part of the new commercial ports strategy due to be completed by mid-2022.

Further, I know you have been a strong advocate for the current Federal Government's Productivity Commission inquiry into Australia's Maritime Logistics System. This inquiry will provide a national view on the structural issues affecting the productivity of Australia's maritime logistics system and will be an important consideration in how we collectively respond to port performance and pricing challenges.

The inquiry also reflects the critical role of the Federal Government on matters such as the review of Part X of the *Competition and Consumer Act 2010*. As you're aware, Part X provides ocean shipping liners with access to a wide suite of exemptions from Australia's competition law. This pre-dates the *Trade Practices Act 1974* and, while initially necessary to ensure reliable and efficient sea freight services to Australia, it does not reflect the recent shift of market power from the landside to the quayside which has contributed to rising terminal access charges. I am strongly advocating for the Federal Government to deliver on its commitment to review what is among the most permissive regimes of liner protections used by a developed country.

Thank you for sharing your concerns. I continue to value your views and insights as I work hard to improve outcomes for the freight and logistics industry in Victoria.

Yours sincerely



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