

## **PORT OF HASTINGS DEVELOPMENT**

## **INFRASTRUCTURE AUSTRALIA**

## **REFORM AND INVESTMENT FRAMEWORK TEMPLATES FOR USE BY PROPONENTS**

## **PORT OF HASTINGS DEVELOPMENT**

### **Summary Template**

**and**

### **Templates for Stages 1-6**

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## Proposal Summary (2 pages, excluding maps)

Initiative Name:	Port of Hastings Development (with planning for port transport corridors including Peninsula Link)
Location (State/Region or City/Locality):	Victoria/South East Metropolitan Melbourne/Hastings
Name of Proponent Entity:	Department of Transport
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Project Description:	<p>This initiative comprises the preliminary and detailed environmental planning and business case studies for Stage 1 of the development of the Port of Hastings.</p> <p>The Port of Hastings is located approximately 30km south-east of the centre of Dandenong. It is made up of piers and wharves including the BlueScope Steel Wharf, the Long Island Point Jetty, the Crib Point Jetty and the Stony Point Jetty.</p> <p>Each year, around 4 million tonnes of petroleum product (oil and gas) are handled through the State-owned jetties at Crib Point and Long Island Point, with a further 1 million tonnes of steel product handled through the BlueScope Steel wharves.</p> <p>The Port of Hastings is the Victorian Government's preferred site for future container development, once capacity at the Port of Melbourne is reached. The Hastings Port project was identified as a Priority Infrastructure Pipeline Project in <i>National Infrastructure Priorities</i> (Australian Government, Infrastructure Australia, May 2009).</p> <p>On 28 August 2009, the Victorian Government released <i>Port Futures</i> which updates and develops the directions in the VPSF in terms of other overarching transport strategies, including <i>The Victorian Transport Plan</i>, <i>Freight Futures</i> (both announced in December 2008) and Infrastructure Australia's <i>National Infrastructure Priorities</i> (announced in May 2009).</p> <p>The final <i>Port of Hastings Land Use and Transport Strategy</i> (2009) released with <i>Port Futures</i>, also reflects these recent State and national transport policy initiatives.</p> <p>From 2016, the Port of Hastings will need to accommodate trades relocating from the Port of Melbourne as Melbourne's container trade footprint grows, (e.g. some break bulk trade, and the vehicle and Tasmanian trades currently at Webb Dock).</p> <p>Stage 1 (2010-15) will comprise construction of 3 multi-purpose berths to accommodate bulk and break bulk trades, including the above relocated trades from the Port of Melbourne and, potentially, export of brown coal products.</p> <p>The associated environmental assessment and planning approvals processes for these developments require a comprehensive study to update understanding of the Western Port environment and catchment</p>

influences.

This initiative comprises only the planning activities and associated transport corridor planning required to prepare for Stage 1 of the development of the Port of Hastings, as detailed in the table below.

**Attachment 1** shows the regional context for and location of the Port of Hastings Stage 1 development.

**Theme alignment**

The initiative has beneficial alignments with all IA themes. Themes 3 and 4 are of particular relevance.

- *Competitive international gateways*: developing more effective ports and associated land transport systems to more efficiently cope with imports and exports
- *A national freight network*: development of a National Freight Network so that more freight can be moved by road and rail

The State policy and strategic planning exercises that have led to this proposal to commence the Port of Hastings project development phase investigations for the Stage 1 expansion include:

- The *Victorian Ports Strategic Framework (2004)* which identified the Port of Hastings as Victoria's future second container port.
- The *Victorian Transport Plan (2008)* which aims to complete preliminary environmental studies, strategic environmental assessment and design works for the Port of Hastings by 2012.
- The Victorian Freight Network Strategy, *Freight Futures (2008)* which commits to commencement of detailed planning and design for a Stage 1 multi-purpose berth development at the Port of Hastings.
- *Port Futures (2009)* advances and reviews policy settings in the VPSF and confirms that the Port of Hastings as Victoria's future second container port.
- The *Port of Hastings Land Use and Transport Strategy (2009)*, which was released with *Port Futures* and sets out the staged development of the Port of Hastings to 2035.

These policy and strategic planning documents demonstrate the Victorian Government's commitment to commence planning for the development of Stage 1 of the Port of Hastings.

Development of the Port of Hastings also fits within the Government's overarching objectives for the development and growth of the Victorian transport & freight network and would stimulate economic activity in south-east Melbourne and Gippsland.

Capital Cost of Initiative by Proponent (\$M, nominal, undiscounted):

Commonwealth contribution sought by Proponent, and cash flow in financial years (\$M, nominal, undiscounted):

Other funding (source/amount/cash flow) (\$M, nominal, undiscounted):

See general statement on Commonwealth and State contributions.

**STAGE 1 EXPANSION**

The Victorian Government has already committed in 2009/10.

In 2008/09, the Department of Transport allocated by grant to the Port of Hastings Corporation to commence preliminary baseline environmental studies during 2008/09. These funds have been fully expended/committed.

**PORT TRANSPORT CORRIDORS**

The VTP allocates \$5M over the next three years to undertake studies for the development of transport infrastructure associated with the development of brown coal resources in the Gippsland Region of which \$1M has been committed in 2009/10 State Budget. These studies will include consideration of links to the Port of Hastings for associated import and export trades.

	<p>Since the release of the Port of Hastings Land Use and Transport Strategy (August 2009), the Department of Transport is considering two recommended new rail corridors to link the Port of Hastings with both the Gippsland Region and the broader rail freight network.</p>
<p>BCR by Proponent excluding Wider Economic Benefits</p>	<p>A cost benefit analysis has not yet been undertaken. It is intended that this will be a component of the business case that is prepared as part of this initiative.</p> <p>As an indication of the potential benefits of developing the Port of Hastings for international containers once Port of Melbourne has reached capacity, a calculation was made of the rail line haul cost of land-bridging growth beyond 7 million TEU per annum via Sydney (or other unspecified port 900km from Melbourne).</p> <p>Assuming a doubling of container volumes over the following 30 years, i.e. a further 7 million TEU with growth spread linearly over the 30 years, the indicative present value of benefits discounted to the opening year at a discount rate is approximately \$10 billion. Preliminary rough order estimates of developing a 7 million TEU/year container port at Hastings are approximately one half of this, indicating a rough benefit/cost ratio of</p>
<p>High level development and implementation program</p>	
<p>This initiative comprises only the planning activities and associated transport corridor planning required to prepare for Stage 1 of the development of the Port of Hastings, as detailed in the table below.</p>	
Phase	Timing
<p><b>Port development planning</b></p>	
<p>Undertake preliminary environmental studies of Western Port and its catchment</p>	<p>2008 – 2010</p>
<p>Prepare detailed design, undertake Environmental Effects Statement (EES)/EPBC processes and prepare business case for Stage 1 Port development delivery in 2015</p>	<p>2010 – 2012</p>
<p>Prepare business case for delivery of Stage 1</p>	<p>2012/13 – 2015</p>
<p>If required to accommodate capacity constraints at the Port of Melbourne, prepare detailed design, undertake a strategic environmental assessment to inform referrals under Environment Effects Statement (EES) and Environment Protection and Biodiversity Conservation Act (EPBC) processes and prepare business case for delivery of Stage 2 by 2020</p>	<p>2013/14 – 2015                      (First 2 years of a 5 year project as per VTP)</p>
<p><b>Port transport corridor planning</b></p>	
<p>Planning, reservation and acquisition of transport corridors to provide connections to the Port of Hastings</p>	<p>2008-2010</p>
<p><b>Total cost</b></p>	
<p><i>* Includes provision for risk and contingency commensurate with the status of project development.</i></p>	
<p><b>Confidentiality</b></p>	
<ul style="list-style-type: none"> <li>See general statement on confidentiality.</li> </ul>	

## Templates for Individual Stages in the Reform and Investment Framework

Stage 1: Goal Definition	
Goal Statements	<p><u>Project goals</u></p> <ul style="list-style-type: none"> <li>• Complete preliminary design and detailed environmental planning and business case studies to enable procurement for Stage 1 of the development of the Port of Hastings.</li> <li>• To identify and, where necessary, protect future road and rail corridors to link the Port of Hastings with the Gippsland region and the broader national freight networks.</li> </ul>
Objective Statements	<p><u>Project/Port of Hastings Corporation/PLUTS</u></p> <ul style="list-style-type: none"> <li>• Plan and develop the Port of Hastings to be a model commercial port, integrated with Victoria's freight and logistics network</li> <li>• Plan the Port of Hastings' layout in accordance with sustainable and best practice principles</li> <li>• Adopt an integrated systems based approach to economic, social and environmental assessment of port development proposals</li> </ul> <p>These objectives respond to several higher order freight objectives, including the following outlined in the <i>Ten Point Plan for the Development of Victoria's Ports and Freight Network</i> proposed as part of the Victorian Government's 2009-1A submission.</p> <ul style="list-style-type: none"> <li>• Grow port capacity</li> <li>• Improve integration of the ports with the freight network</li> <li>• Improve integration with national freight network</li> <li>• Improve freight network planning and utilisation</li> <li>• Improve freight network governance and regulation</li> </ul> <p>To support the sustainable operation and growth of the Victorian commercial ports, integration with the freight network is required to ensure efficient, effective and high-capacity transport connections are provided. The Project recognises these objectives through its own aim to plan and develop the Port of Hastings to be a model commercial port, integrated with Victoria's freight and logistics network.</p> <p>Integration with the National Freight Network is required to create efficient connectivity between Victorian and the National Freight Network. Improving the efficiency of the freight task originating in the Gippsland and metropolitan regions (for both road and rail freight) will be critical if the projected freight demand is to be met.</p>

Stage 1: Goal Definition	
Goal and Objective Alignment	<p>The Port of Hastings Project closely aligns with goals and objectives of the:</p> <ul style="list-style-type: none"> <li>• Australian Government (e.g. National Transport Policy Framework);</li> <li>• Victorian Government (e.g. <i>Port Futures</i>, <i>Freight Futures</i>, <i>The Victorian Transport Plan</i>, <i>Melbourne 2030</i> and the <i>Port of Hastings Land Use and Transport Strategy</i>);</li> <li>• Local Council (Mornington Peninsula Shire Council); and</li> <li>• Infrastructure Australia Strategic Priorities</li> </ul> <p><u>National Transport Policy Framework (2008)</u></p> <p>The Port of Hastings project development has close alignment with policy objectives exercises outlined in the :</p> <ul style="list-style-type: none"> <li>• <b>Promote the efficient movement of people and goods in order to support sustainable economic development and prosperity</b>                      The Project seeks to improve the efficiency of the freight task by ensuring port capacity is maintained to serve both the Gippsland and metropolitan Melbourne markets.</li> <li>• <b>Promote effective and efficient integration and linkage of Australia's transport system with urban and regional planning at every level of government and with international transport systems</b>                      The Project seeks to adopt an integrated systems based approach to economic, social and environmental assessment of port development proposals in the context of metropolitan regional planning frameworks.</li> <li>• <b>Protect our environment and improve health by building and investing transport systems that minimise emissions and consumption of resources and energy.</b>                      The Project seeks to increase the use of rail freight and improve the efficiency of road freight to reduce the environmental impact of the freight task.</li> </ul> <p><u>Victorian Government policy and strategic alignment</u></p> <p>The State policy and strategic planning exercises that have led to this proposal to commence the Port of Hastings project development phase investigations for the Stage 1 expansion include:</p> <ol style="list-style-type: none"> <li>1. The <b>Victorian Ports Strategic Framework (2004)</b> (VPSF) which identified the Port of Hastings as Victoria's future second container port. The key goals of the VPSF are to:                     <ul style="list-style-type: none"> <li>– Build on the existing capabilities and competitive strengths of Victoria's commercial trading ports</li> <li>– Anticipate and plan for future land, access and infrastructure needs</li> <li>– Provide the right regulatory and institutional settings for a sustainable ports system</li> </ul> </li> <li>2. <b>Melbourne 2030</b> (2002) and <b>Melbourne @ 5 Million</b> (2008) recognise the need to develop the key transport gateways and freight links in metropolitan Melbourne, including development of the Port of Hastings, to maintain Victoria's position as the nation's premier logistics centre. The key policy goals of <i>Melbourne 2030</i> relevant to the development of the Port and its connectivity to the broader freight network are:                     <ul style="list-style-type: none"> <li>– A more prosperous city</li> <li>– Better transport links</li> <li>– Better planning decisions, careful management</li> </ul> </li> <li>3. <b>The Victorian Transport Plan (2008)</b> (VTP) which aims to complete preliminary environmental studies, strategic environmental assessment and design works for the Port of Hastings by 2012.                     <ul style="list-style-type: none"> <li>– Strengthening Victoria's and Australia's economy</li> <li>– Shaping Victoria</li> <li>– Linking Rural, Regional and Metro Victoria</li> <li>– Taking practical steps for a Sustainable Future</li> </ul> </li> </ol>

### Stage 1: Goal Definition

4. The Victorian Freight Network Strategy, **Freight Futures (2008)** which commits to commencement of detailed planning and design for a Stage 1 multi-purpose berth development at the Port of Hastings.
  - Maintain and improve the efficiency of the freight network – ensuring that the road and rail links, ports, terminals and related facilities for handling and moving goods around our cities, towns and State are operating to their maximum efficiency to support Victoria's continued economic growth
  - Ensure the availability of sufficient capacity in the freight network to handle the growing freight task – both through achieving better utilisation of existing infrastructure and providing new infrastructure as required
  - Enhance the sustainability of the freight network – by planning and operating the network in a manner that maximises public safety outcomes and minimises environmental and amenity impacts on the Victorian community
5. **Port Futures (2009)** advances and reviews policy settings in the VPSF and confirms that the Port of Hastings as Victoria's future second container port. Its key goals is to:
  - Introduce improved policy and strategy settings to ensure that the ports system remains competitive and sustainable over the next 10 years and that the contribution of the ports to the prosperity of all Victorians is maximised.
6. The **Port of Hastings Land Use and Transport Strategy (2009)** (PLUTS) was released with *Port Futures* and sets out the staged development of the Port of Hastings to 2035. Its key goals have been to:
  - Establish a comprehensive framework and process for enabling the timely and sustainable expansion of the Port of Hastings
  - Provide guidance for project development and implementation, including consultation with agencies and the local community; environmental appraisal; port interface management; the development approvals process; and, ultimately, infrastructure provision.

These policy and strategic planning documents demonstrate the Victorian Government's commitment to commence planning for the development of Stage 1 of the Port of Hastings.

Development of the Port of Hastings also fits within the Government's overarching objectives for the development and growth of the Victorian transport & freight network and would stimulate economic activity in south-east Melbourne and Gippsland.

#### Mornington Peninsula Shire Council

To develop an understanding of the planning drivers behind existing and future land use patterns within the Port of Hastings Strategy Area, an analysis of relevant planning policy frameworks contained in the *Mornington Peninsula Planning Scheme* is critical.

In general, the state level strategic policies are contained in the *State Planning Policy Framework*, providing a suite of state and regional land use and transport objectives and policies. The *Local Planning Policy Framework* provides the Municipal Strategic Statement and localised planning objectives and policy requirements that may directly impact on land uses within the Strategy Area.

#### *State Planning Policy Framework*

- The economic importance of ports and port-related industries within Victoria has been highlighted within **Clause 18.05 Ports**, as well as the need to ensure adequate forward planning. The associated land use and infrastructure capabilities play a significant role in the economic viability and growth of the industry. Clause 18.05 highlights this and the need for forward for the future development of the Port of Hastings port industrial area.
- Protection and enhancement of environment is an important element of the State Planning Policy Framework in considering the potential for development and use with the land use in and around Western Port. **Clause 15 Environment** contains a number of policy themes: Protection of Catchments, Waterways and Groundwater; Soil Contamination; and Coastal Areas.

### Stage 1: Goal Definition

- Other provisions within the State Planning Policy Framework address High pressure pipelines; Industry; Agriculture; and Tourism

#### *Local Planning Policy Framework*

- The Municipal Strategic Statement (MSS) provides a snapshot of the Mornington Peninsula, identifying the values for protection and the vision for the future for the area. It clearly identifies the importance of the economic contribution from agriculture, significant landscapes, environmental assets and Western Port. The key factors that will influence development within the Western Port Region are:
  - Protection and development of the Port and port related industries
  - Protection and enhancement of significant environment values
  - Protection of the environment and recreational land uses

#### Infrastructure Australia strategic priorities

The initiative has beneficial alignments with all IA strategic priorities.

- **Build on Australia's global competitive advantages:** Development of the Port of Hastings is expected to improve the viability of further developing resources in Gippsland including brown coal and wood products. Shipping lines are expected to benefit from time savings (up to half a day in each direction) over Melbourne due to Hastings' shorter distance from the international sea-lanes.
- **Expand Australia's productive capacity:** The Port of Hastings Stage 1 development will enable transfer of some trades from the Port of Melbourne, freeing up capacity for projected growth in higher value international container trade. It will also provide impetus for ongoing expansion of the Port of Hastings for other trades once Stage 1 has been completed.
- **Increase Australia's productivity:** Productivity will be increased by moving domestic trade bound to/from Tasmania and car import/export trade to Port of Hastings and concentrating international container shipping growth at the Port of Melbourne.
- **Diversify Australia's economic capabilities:** Development of the Port of Hastings will diversify economic capabilities by providing additional port facilities close to the fast growing southeast region of metropolitan Melbourne. Development of the Port of Hastings will increase ability to exploit export commodities from Gippsland region including brown coal and coal and timber products.
- **Improve social equity, and quality of life, in our cities and our regions:** Stage 1 will provide employment in Hastings region. Proposed trades of Bass Strait freight and car exports/ imports are unlikely to adversely affect local amenity or environment.
- **Develop our cities and/or regions:** This initiative will assist the ongoing growth of southeast metropolitan Melbourne and the Gippsland region of Victoria.
- **Reduce greenhouse emissions:** This initiative will reduce shipping greenhouse gas emissions and emissions from land transport to Melbourne's major industrial zone in the Dandenong area and to Gippsland. Compared to a base case of no development at the Port of Hastings the greenhouse emission impacts for road traffic are uncertain.



Stage 2: Problem Identification

The key problems preventing the goals and objectives identified in Stage 1 from being achieved are:

- A lack of infrastructure adequacy, capacity and condition
- A complex regulatory environment
- Western Port is an area of significant environmental interest
- Rapidly emerging trades are driving development of the port in the short term
- Need for comprehensive stakeholder engagement
- The Port of Hastings Corporation is a small organisation with limited resources and capabilities to undertake the project

**Problem 1: Lack of infrastructure adequacy, capacity and condition**

- Port of Melbourne will reach capacity in or around 2017. Port of Melbourne has already exceeded high growth forecast for containers. Difficulties may be faced with planned additional capacity in the Westgate-Webb Dock precinct, particularly rail connection.
- As the Port of Melbourne will increasingly focus on international containers, the Port of Hastings will need to accommodate displaced trades. Currently, port facilities at Hastings are not adequate to accommodate either displaced trades from Melbourne or new emerging trades, such as brown coal derivative products from Gippsland.
- Existing rail infrastructure condition unsuitable for Port of Hastings planned development. Broad gauge – limits freight paths to the Port of Hastings from broader national network.
- As part of the planning work required for rail freight connections to the port, it will be important to consider and plan for rail freight connections in either the Peninsula Link-EastLink corridor or the Western Port Highway corridor to link to Dandenong and Gippsland rail corridors. DOT is currently undertaking further assessment of long term rail corridor options.
- The Western Port Highway corridor is anticipated to provide the primary metropolitan road access to the Port of Hastings. However, in the longer term it is anticipated that the corridor will need to be upgraded to full Freeway status between Dandenong and Hastings.
- The Peninsula Link project is a key component of *The Victorian Transport Plan*. It has been carefully planned to ensure rail connection options to the Port of Hastings can be accommodated within its reservation. It also provides a link to the port from industrial areas in Melbourne's south-eastern suburbs and the Mornington Peninsula.

**Problem 2: Complex regulatory environment**

- For Hastings to become an effective port, significant investment will be required over a very long time. This includes in the strategic and project assessment phases, (including environmental assessment and planning approvals) as well as in infrastructure delivery as required (rail and road linkages, new berths and landside infrastructure).
- Each Stage of planned development at the Port of Hastings could be exposed to three separate approval processes with local, State and Commonwealth governments.
- Port of Hastings development will involve tight lead times. A 6 year lead time will be required for Port of Hastings Stage 1 development to be completed, 4 years for the development phase and 2 years for construction with very little float for delays.

**Problem 3: Western Port is an area of significant environmental interest**

- Western Port is an area of ecological importance covering an area of approximately 680km<sup>2</sup>. It contains a vast range of marine life and provides roosting and feeding areas for waterbirds. The Western Port area is a listed Ramsar site and is listed on the Register of the National Estate and contains three Marine National Parks. Native

Problem Identification:  
 Current issues

## Stage 2: Problem Identification

vegetation and habitats occur throughout port area and vary from local to international significance.

- Western Port is also within the area defined as the Mornington Peninsula and Western Port Biosphere Reserve. The area (including the Port of Hastings) was designated under UNESCO's Man and the Biosphere program in 2002, joining a network over 400 Biosphere Reserves in more than 100 countries. The reserve includes French Island, the whole of the Shire of Mornington Peninsula, parts of the City of Frankston and coastal areas of the municipalities of Casey, Cardinia and Bass Coast (including Phillip Island).
- The Government recognises the significant environmental values of Western Port.
- While a significant assessment of those environmental values was undertaken in the 1970s, Shapiro Report, there is a scarcity on current information on environmental conditions in Western Port. Such data that do exist tend to be very localised. At this point there is no clear lead agency for Western port research and management.
- The PLUTS proposes an assessment and planning approvals framework to ensure that any development is undertaken to ensure these values are upheld and key risks, including the impact of climate change and protection of ecological values, are factored in to the fundamental design of the project.
- The PLUTS framework has important monitoring and review elements that will allow impacts of climate change and other design imperatives to be considered at each stage of port planning and development, and in providing transport access to serve the port.

### **Problem 4: Rapidly emerging trades**

- The potential freight task for the Port of Hastings includes emerging trades that are located in the east and north-east of Victoria that could be captured by the Port of Hastings based on proximity to these trades and the availability of new freight capacity.
- The trade scenarios paper prepared as part of the PLUTS identified the following potential break and dry bulk trades:
  - Break bulk – logs and finished sawn timber products
  - Dry bulk trades – woodchips, fertiliser and stockfeed
- Brown coal from Gippsland has been regarded as a possible export commodity for Hastings at various times in the past. The 1988 Western Port development plan included an estimate of 1 million tonnes per annum for these exports, although the timing of when this trade may eventuate has been the subject of debate.
- Work undertaken by the Department of Primary Industries (DPI) indicates that fertiliser and a range of other solid and liquid products could be derived from Latrobe Valley brown coal using new clean coal technology.
- The DPI work considered that volume of fertiliser produced may be sufficient to not only entirely displace the existing domestic imports of fertiliser into the Gippsland region and beyond, but also result in the export of up to 2 million tonnes per annum of fertiliser and 0.7 million tonnes per annum of dried brown coal by 2015.
- The DPI work proposes that all of this product would initially be exported through the Port of Geelong. However, the total trade is expected to increase to 2.4 million tonnes per annum of fertiliser and 6 million tonnes per annum of brown coal by 2020. Consequently there is the potential for at least a portion of this trade to be exported through the Port of Hastings.
- In addition, a range of liquid fuel products (up to 4 million tonnes per annum) could be produced from brown coal and may increase demand for existing liquid storage and transfer port facilities at Hastings.

### **Problem 5: Need for a comprehensive stakeholder engagement framework**

- Due to its Ramsar and Biosphere listings, there is a general expectation for high levels of community and industry engagement on development issues in Western Port generally. During development of the
- The PLUTS commits PoHC to ongoing community engagement and open public