

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2016–17

Melbourne — 10 May 2016

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Mr Luke Donnellan, Minister for Ports,

Mr Richard Bolt, Secretary,

Dr Gillian Miles, Lead Deputy Secretary, Transport, and

Mr Robert Abboud, Deputy Secretary, Transport Development Network, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Ports, the Honourable Luke Donnellan, MP; Mr Richard Bolt, secretary, Department of Economic Development, Jobs, Transport and Resources; Dr Gillian Miles, Lead Deputy Secretary, Transport; Robert Abboud, Deputy Secretary, Transport Development Network; and in the gallery is Nick Easy, Chief Executive Officer, Port of Melbourne Corporation.

I would also like to welcome other additional witnesses sitting in the gallery. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege. Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Questions from the committee will be asked on a group basis, meaning that specific times have been allocated to members of the government, opposition and crossbench to ask a series of questions in a set amount of time before moving on to the next group. I will advise witnesses who will be asking questions at each segment.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way. Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr DONNELLAN — Thanks, Chair. I want to use this brief presentation this afternoon to lay out the key directions the government is taking in the ports portfolio and to explain the rationale for the actions we are undertaking.

I will begin with some context. Victoria is home to Australia's largest container and general cargo port. The port of Melbourne handles 36 per cent of the nation's container trade, a share we are actively working to grow. The port's success is in no small part due to the expansion of Victoria's export volumes, which have grown 40 per cent in the last 10 years. Our strong agricultural sector underpins the success of the port. Our farmers produce 44 per cent of Australia's processed food exports, 50 per cent of Australia's horticultural exports and 85 per cent of Australia's dairy exports.

The next slide highlights how the rest of the world, particularly Asia, wants more and more of what Victoria is producing. We are seeing huge increases in exports of food and fibre, and how efficiently we can move these exports from farm gate to port is a big factor in our export competitiveness. This means that the performance of our regional freight network is critical to our export performance.

Victoria's exports are handled by three commercial ports other than Melbourne. In the south-west of the state Portland handles the state's woodchip and mineral sands trades as well as grain. Geelong predominantly handles grain, fuel, fertiliser and woodchips, while Hastings mainly manages fuel. Most of Victoria's export freight flows through these ports are carried by road transport, with rail playing a key role in grain exports and in the long-haul intermodal market.

The port of Portland itself expects to move 3 million tonnes of woodchips this financial year, and work continues on the construction of a new woodchip loader to cater for the huge demand of paper products from China in particular.

At the port of Geelong productivity has been boosted by a combination of dredging and the introduction of new technology. The locally designed and developed dynamic under keel clearance system is now mandatory for all vessels with a draught of 10.8 metres or more. The DUKC system is a web-based system that improves safety for those large vessels whose keel is close to the seabed. It ensures that the lowest point of the ship's hull is clear from the seabed. This means we can load the ship to the maximum permitted by the draught.

At the port of Melbourne the construction of new international container terminals at Webb Dock will add at least a million containers to annual capacity.

The port of Hastings in the south-east is very much open for business to the bulk and break bulk trades. There is an enormous opportunity down there.

Agricultural goods and meat sourced mostly from regional Victoria make up 43 per cent of all containerised exports from the port of Melbourne. This figure will grow as more and more grain is boxed before shipping. Over the last five years containerised grain exports have increased by over 200 per cent and now represent 30 per cent of all grain exports from the port of Melbourne. So you can see Victoria's reliance on export commodities and the importance of being able to move this type of freight quickly and efficiently from the farm gate to port.

We recognise that a grain freight task in Victoria, and perhaps more importantly a grain export freight task, means that we have to find smarter ways to move more freight more efficiently. The task will only grow in importance as the global demand for food increases. The government is very much determined to maintain Melbourne's status as Australia's premier port.

This year the Parliament passed legislation that initiates the process of leasing the port of Melbourne and transferring its commercial operations to a new leaseholder. The legislation protects port users by imposing a price cap on port charges for at least 15 years. This is the toughest form of regulation in the country. No other port has this type of regulation.

The port also has frozen prices on loaded international container export charges. These charges will be progressively reduced by 2.5 per cent over the next four years. We think this will basically level export charges between the port of Melbourne and Port Botany, and by 2020 we expect the loaded international container export charges will be 22 per cent lower than equivalent import charges, so we are very serious about preserving and building our status as the freight and logistics capital of Australia.

As part of the port of Melbourne lease transaction the government has created a \$20 million bay environs grant program. Of this, \$10 million has been allocated to the ports portfolio, with the Minister for Environment and Climate Change administering the other \$10 million. I am in the process of assessing proposals that include upgrades to Westgate Park, which has an active local community engaged in transforming the area to a bushland setting; works and repairs to Seaworks wharf at Williamstown; upgrades to the Footscray Wharf and conservation and maintenance works to the Mission to Seafarers. The individual amounts of funds to be granted to these specific projects are yet to be finalised. Of the \$10 million to be administered by me, \$6 million has been allocated to the coming financial year and 4 million for the year after.

We are undertaking a considerable bridge upgrade program throughout regional Victoria to improve road freight efficiency and to lower costs for regional exporters. It is a joint program between the commonwealth and the state governments that will upgrade 10 bridges on the M1, 10 on the Hume Freeway, 7 on the Goulburn Valley Highway and 4 on the Western Highway. These upgrades will strengthen the bridges to accommodate road freight combinations up to 85.5 tonnes, and elsewhere throughout the state we are upgrading bridges to accommodate 68.5 tonne gross maximum limit to accommodate B-doubles. We see a lack of B-double access as a major hindrance to productivity, particularly for food and fibre producers, and these bridge upgrades will deliver a major productivity boost.

In regional Victoria work is under way to plan a new bridge at Echuca-Moama, the Calder interchange at Ravenswood, the duplication of the Princes Highway between Winchelsea and Colac, the duplication of the Princes Highway between Traralgon and Sale, the Doyles Road upgrade in Shepparton, the key freight route, and the Western Highway duplication between Ballarat and Stawell. This year's budget will fund planning for replacement bridges over the Murray River at Tooleybuc and Yarrowonga. Both projects will improve our prospects of attracting farmers and exporters from southern New South Wales to the port of Melbourne.

As well we are obviously providing a network-wide solution to reducing congestion along the M1, the western distributor bringing a big boost to the productivity of the Victorian freight industry. High-productivity freight vehicles currently operate within the port precinct but are restricted from broader network-wide use by the unsuitability of roads leading to the port. The western distributor will overcome that by delivering the productivity boost to farmers and exporters that road freight operators have been advocating for for many years.

Moving now to talk about local ports, it has been calculated that local ports deliver benefits of at least \$557 million annually by supporting commercial and recreational fishing, aquaculture, recreational boating, tourism and related industries. The value of the state's local port infrastructure is around \$407 million. The government will allocate \$10.3 million from the department's allocation of recurrent funding to local port managers for 16–17 for management operation and critical maintenance. Further funding will be allocated for the dredging at Gippsland Lakes and Port Phillip Bay.

The CHAIR — Thank you, Minister. Government questions now until 4.18 p.m.

Ms WARD — Minister, can I get you to have a look at budget paper 3, page 37. Almost two-thirds of the way down you have got the port of Melbourne lease. Under the output initiatives can I ask you: what exactly does the output refer to in the context of the lease, and what benefits will it provide within the port sector, if any?

Mr DONNELLAN — This is very much about getting the structure set up post-leasehold sale of the port, so in other words our lease going out there for 50 years. This is about setting up the internal structures in the department to actually manage it. It is a budget very much towards providing funding for the port lessor resourcing. As a landholder the port lessor will have to consider or improve permitted land use matters, undertake assessment of port assets for compliance with the asset condition regime and manage some state environmental rights and liabilities. In other words the port lessor will hold the land and various subleases and will be responsible for ensuring that the successful lessee abides by the environment conditions and the land use requirements and actually operates properly under the lease.

In other words this is the unit which will be responsible for managing that lease on an ongoing basis. It will have a relationship with the department of transport. In other words it will have agreements with the department of transport to manage that port lease to ensure the maximum benefit to the Victorian public, the exporters, the importers and the like. It is very much about looking at a post-leasehold sale situation and ensuring that we have the structure to actually manage it. Richard, did you want to add anything?

Mr BOLT — No, that covers it very well.

Mr DONNELLAN — That is about it.

Mr DIMOPOULOS — Further to Ms Ward's question, in the same budget paper, 3, on page 37, with the port of Melbourne lease and the resourcing you just spoke of, can you elaborate on what preparation will be undertaken with the supply chain network for the port?

Mr DONNELLAN — In other words what works we have done to ensure that the port is a very successful operation? Obviously we have the western distributor. That has got to improve massively efficiency in terms of access to the port — massively; there is no doubt about that. Once we have the western distributor in place and functioning we will actually have a circle around the port, in a sense, a circle of roads — the Tullamarine, the western distributor, the West Gate Bridge and the Todd Road link to the Tullamarine Freeway. So effectively what you are going to have is a circle around the port of major freeways that will be able to drop into the port, literally, from those different points. In other words we are going to keep those major trucks off the side streets and effectively be able to drop them at different points around the port to different docks. That is one major, \$5.5 billion, investment to ensure greater efficiency for trucks getting into the port.

Separately we are also undertaking upgrades to 48 bridges across the whole state — the majority of them are in regional Victoria — as I was saying, to allow B-doubles and higher productivity freight vehicles to access the port, whether it be on the Monash, whether it be on the Western Highway or whether it be on a whole lot of those major freight routes in and out of the city of Melbourne and throughout Victoria to ensure that those vehicles can get in and out in a timely way. Obviously we have got the CityLink-Tullamarine widening going on. That is that extra lane all the way from the tunnel — —

Mr DIMOPOULOS — And slightly out of your portfolio — but the level crossing removal project, with freight trains running uninterrupted.

Mr DONNELLAN — Yes, no doubt. And the 50 level crossings, obviously, from the dividends from the sale of the port are going to massively increase efficiency and reduce congestion across a lot of those industrial areas like Dandenong and the south-east, where we have so much industry and so much east–west and north–south flow of traffic. The removal of those level crossings will massively improve efficiency

Ms SHING — Minister, I might pick up from where Mr Dimopoulos left off in relation to the issue of supply chain logistics as it relates to the conveying of goods to market. One of the things that emerged in the course of the Port of Melbourne Select Committee as part of the consideration of the bill, which is now legislation, related to the way in which first and last-mile logistics might be facilitated and enhanced. One of the things that was discussed was the rail shuttle option. That is something which was part of evidence given by DP World in the course of that particular bill being debated and considered in the course of the committee. Do you have any further information that you can provide to the committee in relation to the current status of that rail shuttle issue, again by reference to budget paper 3, page 37?

Mr DONNELLAN — That port rail shuttle option, \$58 million has been allocated — I think it is 38 from the feds and 20 from the state. They are still sitting there in contingency. We have put it on hold while the port sale or leasehold sale is ongoing, but within the legislation we have indicated within three years of the lease beginning that the successful lessee needs to come to the government with a port rail option, something that is achievable within five years thereafter. That does not preclude the operators down there, whether it be the stevedores or others, looking at a rail option earlier.

Ms SHING — An on-dock rail option or a rail option for the broader precinct?

Mr DONNELLAN — Well, it could be on-dock, so that would obviously be the stevedores. It could be just outside the port precinct, just on the edge of the port precinct, but it does not preclude that from a private operator doing it of their own accord. This is a requirement of the lessee to come to us with a plan that can be implemented over five years, a bit like if you look at the port at Portland, at Murray-Darling or the port at Geelong, that Murray-Darling Basin project will very much I guess assist me as the roads minister, to put it prudently, not have to spend as much money on roads around getting into Portland and Geelong —

Mr D. O'BRIEN — Yes, you will, minister.

Mr DONNELLAN — because we will pretty much have a great rail service for the mineral sands and the woodchips and the like.

Ms SHING — So in relation to dealing with port capacity and noting that rail shuttle is one way that port capacity might then be enhanced to get to maximum TEU, which has been one of the objectives around the way in which the lease has been framed and the legislation has been framed, what is the current state of the port capacity project works as they are being implemented in the course of your portfolio?

Mr DONNELLAN — In terms of the increase in the port capacity, the \$1.6 billion project is coming very much towards an end. The roll on, roll off capacity for the car industry is up and operating and VIT, I think, is finalising works on its particular component there currently, so that is all proceeding to schedule. That will allow an increase of about 1 million TEUs just down there at Webb Dock, so for the particular —

Ms SHING — And do you have an update for the committee in relation to the referral of a second container port analysis to Infrastructure Victoria?

Mr DONNELLAN — Currently discussions are ongoing with the Special Minister of State —

Mr T. SMITH — Oh, great!

Mr DONNELLAN — in terms of the terms of reference.

The CHAIR — Order! Mr Smith, until 4.29 p.m.

Mr T. SMITH — Minister, BP4, page 25, the port rail shuttle. You alluded to this before and I just wanted to ask you a few specific points around this. The coalition put 20 million into this project in 2014 and then secured 38 million in federal funds, so it was ready to go and tender preparations were underway, yet this year's budget says the project is on hold — so what is wrong? Why is it on hold? What is happening?

Mr DONNELLAN — Well, we have just got a small leasehold sale of the port going on currently and we believe it would have been pretty difficult to have the sale process going on while we were actually also trying to deal with the port rail shuttle option. In terms of the money, it is still there. It is still in the budget. We have not reallocated it or used it for anything else, so that money is still available. As I have indicated in the port lease document and the legislation, there is a requirement in the first three years for the successful lessee to come to the government with a proposition for on-dock rail options to be implemented within five years thereafter and after the first three years. So within the first eight years of the lease, there needs to be that on-dock rail option.

Mr T. SMITH — In August last year Qube Logistics abandoned two commercial agreements to develop intermodal terminals in Melbourne that were associated with this port rail shuttle, focusing instead on a \$1.5 billion intermodal development at Moorebank in Sydney. Maurice James, the managing director of Qube, was quoted as saying at the time:

Melbourne has stagnated. We have not seen a serious government push for modal shift to rail ... We are not wasting any more time on that in Melbourne.

He also said that the port of Melbourne is 'at risk of losing its no. 1 container port status'. Minister, does your government hate port rail so much that you are prepared to see the port of Melbourne lose its no. 1 status to Botany?

Mr DONNELLAN — No, no, no. Let us go back through the history of that proposition which Qube had.

Mr T. SMITH — Do tell.

Mr DONNELLAN — Qube was very fortunate to secure a shipping deal which made the proposition of moving goods through the inland port and through Port Botany cheaper because of the shipping deal in terms of the takeout. So it was not actually the charges or anything else in relation to the port of Melbourne which made that decision; it was the fact that it was able to secure a very beneficial shipping deal for the operators and that is why it has decided to go through Port Botany.

In terms of Qube, I can say I have had discussions with Maurice James and will be meeting him very soon again. I do note there has been an interest from Qube and some Canadian pension funds in the Patrick stevedores operations, and I would think that Qube is very much coming back into the market and I very much welcome another competitor in the marketplace.

Mr T. SMITH — So, with all that has been said by Mr James with regard to losing ground to Sydney —

Mr DONNELLAN — Look, yes, Mr James has indicated various things but he has also indicated a very keen interest through his Qube group to actually buy out at least 50 per cent of Patrick. To me that would suggest that Maurice James has a substantial commitment, along with the Canadian pension funds, to securing the business of Patrick stevedores down at the port of Melbourne. That would to me suggest that he is very supportive of the port of Melbourne and thinks it is a good place to do business.

Mr T. SMITH — I welcome your sunny optimism, Minister, and it is always an element of your contributions to these hearings, which I always greatly enjoy, particularly compared with the little fellow who was in this morning.

Ms SHING — Sorry; point of order. Point of order: I would ask that Mr Smith withdraw that utterly disrespectful remark.

Mr T. SMITH — I refuse, because the Premier constantly refers to Matthew in question time as 'that little fellow'. So until he does that, I am not withdrawing. Until the Premier stops telling Matthew in question time, 'that little fellow over there', I will not withdraw.

Ms SHING — I would ask you to rule on that, Chair.

The CHAIR — I ask you to withdraw, Mr Smith.

Mr T. SMITH — I refuse, Chair.

The CHAIR — Righto, move on.

Mr T. SMITH — Anyway; thank you, Mr Donnellan. As I was saying, your sunny optimism is something that warms my soul, and I enjoy your optimism with regards to what you are saying about our competitiveness with Sydney.

The CHAIR — Is there a question, Mr Smith?

Mr T. SMITH — But the fact still remains — —

Mr DONNELLAN — I will get you to spruik door-to-door for me at the next election.

Mr T. SMITH — The fact still remains that we are potentially losing all sorts of business to Sydney, as illustrated by that quote. I just want to know specifically what you are going to do about that going forwards.

Mr DONNELLAN — Well put it this way, within the next 48 hours I will be sitting down with representatives from Qube to discuss the port of Melbourne generally. So I can assure you I believe Qube and the Canadian pension funds are currently working together to purchase — well purchase at least 50 per cent of — the Patrick stevedore business down in the port of Melbourne. That is a lot of money to invest if you are not confident that the port of Melbourne is going well. To me that indicates a keen interest in doing business in the port of Melbourne.

Mr D. O'BRIEN — Minister, on the same issue, the \$38 million from the federal government, have you received any advice as to how long that will stay on the table?

Mr DONNELLAN — I have not recently asked for advice in relation to that, so no, I presume that with the — well, put it this way, the change of minister, the introduction of Darren Chester, the minister for infrastructure and like, has certainly brought a more positive — —

Mr D. O'BRIEN — A very good minister.

Mr DONNELLAN — Yes — no, no, no, I think Minister — —

Mr D. O'BRIEN — You nearly agreed with me there.

Mr DONNELLAN — No, no — well I will let you decide which position he holds in the future — that is really up to the National Party — but in terms of positive engagement, in terms of getting projects done, that has been a major improvement. In terms of getting freight onto rail and road safety, Darren Chester has a keen interest in that, and we are very keen to work with him. Look, I do not believe the federal government is indicating that it will take that money away for the moment. They are well aware — I assume there have been discussions to indicate that we will still be proceeding with that. We have indicated what we are going to do in the port lease to all and sundry, that we want the port rail option. We want an option for the port rail shuttle within the first three years of the port lease, to be applicable within the first five years.

Mr D. O'BRIEN — Applicable, as in actually operating?

Mr DONNELLAN — Operating, yes. So they have got three years to come to us with a proposition that has to be implemented within five years after that. So within eight years effectively they have got to have an operating, on-dock port rail shuttle.

Mr D. O'BRIEN — This is the lessee?

Mr DONNELLAN — Lessee.

Mr D. O'BRIEN — Whoever is successful?

Mr DONNELLAN — Yes. And look, in terms of the money, we will pretty much look at what various options they have put forward to us as to how we allocate that money. Obviously we want it to be competitively neutral so it provides access to multiple users, not one user or the like, because that would be giving one particular operator there an advantage over another. So it has got to be competitively neutral to ensure that we can actually encourage competition down there but also encourage the use of rail for things like grain and the like.

Mr D. O'BRIEN — Is it the government's intention that there will be additional state government money go into it, understanding what you have just said?

Mr DONNELLAN — Look at this stage, in terms of what comes to us, we will look at the proposition when it comes to us. I would not rule in or rule out more state money, yes.

Mr D. O'BRIEN — Sorry, just back on the commonwealth contribution, do you know what the status of that is now? Is there a written agreement? Is it simply a budget line item in the commonwealth budget? It is a significant amount of money.

Mr DONNELLAN — My understanding — well it continues to be in their budget; they have not indicated to us they are going to remove it from contingencies. So I assume at this stage there is goodwill and good desire to continue looking at that proposition because it is just the most efficient way and it will allow us to increase the throughput of the port by using rail, including rail to inland ports and the like.

Mr D. O'BRIEN — So in the overall context of the port lease — and I know you have not been directly involved; it has been largely the Special Minister of State and the Treasurer — —

Mr DONNELLAN — Yes.

Mr D. O'BRIEN — what is your role, your portfolio's role? What are you actually doing to make sure that Melbourne does stay the premier container port in the nation?

Mr DONNELLAN — Well, as the minister for roads I am obviously driving efficiency in terms of the road infrastructure to get things in and out of the port and my role will be, once the leasehold is done, to actually ensure that the land use agreements are correct and that the environmental conditions are met and that the port operator is behaving appropriately. So to a large extent we will fill a more administrative role because we will not have that commercial role anymore; the commercial roles will be handed over to a commercial operator. So I guess we are very much returning to very much a government role in a sense, not a commercial operator. That will be my role.

Mr D. O'BRIEN — Sure. Is it important in your opinion and that of your colleagues that Melbourne does stay the no. 1 container port?

Mr DONNELLAN — Oh, absolutely, absolutely. I mean, this is front and centre of the whole of the logistics industry in the country. You know, this is very much where most containerised goods come through, most containerised goods are exported. We want this no. 1, absolutely.

The CHAIR — Order! Dr Carling-Jenkins until 4.35.

Dr CARLING-JENKINS — Thank you, Chair, and welcome back, Minister. I just want to quickly follow up on the question that Mr O'Brien was just asking. You mentioned your administrative role. Now that relates, I think, to what Ms Ward was asking earlier about the new port lessor unit. So your role now will be oversight through that unit? Is that correct?

Mr DONNELLAN — That unit will report to the — I think I will get Richard to explain the fine details of that.

Dr CARLING-JENKINS — Okay; thank you.

Mr BOLT — I will start; others may be able to elaborate on it. It will be a company set-up and transferred into the department. The board will be of departmental secretaries. It will have staff seconded to it under some agreement just to ensure that there is a corporate entity that the leaseholder can interface with, so to speak. It

will be the main avenue of advice to me and to Minister Donnellan as to whether or not the various obligations of the port lessee are being met. That is a longwinded way of saying that it is the primary vehicle by which we will have eyes into the operation of the lease and whether its obligations are being met and the state is getting the value it is expecting from it.

Dr CARLING-JENKINS — Sure. Thank you for that answer, Mr Bolt; I appreciate that. Is that unit being established as we speak? Is that something that is in train at the moment?

Mr BOLT — We are preparing to establish it. It will initially be established within the port of Melbourne, and it will transfer at the time the lease is signed to the department.

Dr CARLING-JENKINS — Okay. So they do not have a role in facilitating the lease; they just have a role once the lease is — —

Mr BOLT — No. It is in time to hold and operate the state's end of the lease arrangements, but it is not to negotiate the lease, no. I do not know if there is any more that can be said on the work that is being done to prepare the implementation of this.

Dr MILES — No, I think that is adequate at this stage.

Dr CARLING-JENKINS — That is quite clear. Thank you very much. I appreciate that. That was an idle aside, but anyway.

I would like to ask about the 'Port and freight network access' item in budget paper 3, page 123. In that line item we see a pretty significant upward revision of costs for the 15–16 period relative to last year's budget, and the difference has been attributed to the increase in national heavy vehicle regulations and new funding for the Gippsland Lakes ocean access program. It was quite a significant revision of around \$40 million, so I wonder if you could outline for the committee, Minister, details of those items and why perhaps these costs were not able to be anticipated.

Mr DONNELLAN — Okay. In relation to the costs for the Gippsland port, that is the allocation, I think, from memory, of \$12 million for the dredge for the Gippsland port. That has been some time coming. I know Tim Bull was very keen when he came down to the launch of it.

Ms SHING — He was not the only one, Minister.

Mr DONNELLAN — I was a little bit surprised, but God bless him!

Dr CARLING-JENKINS — So it was a long time coming but not anticipated?

Ms SHING — He is getting more done under the Labor government than the coalition.

Mr DONNELLAN — We will leave those reflections aside. So there is \$12 million allocated to that. I think that dredging unit is nearly complete. It is another year away before that dredging unit is complete. We actually have to build one, because there are just not a whole lot of dredges available to lease and so forth, so we are building a dredge, which we hope we can use not only at Lakes Entrance, and that is \$12 million, but also at other ports and the like which need some dredging. We are hoping to try to maximise the use of it, but the old dredge we used we had to drag across from New Zealand each year. It used to putt, putt, putt across from New Zealand, do the dredging and then putt, putt, putt and go all the way back, and it was actually at the end of its cycle and capacity.

In terms of the heavy vehicle regulator, I think we were due under the TIC program to make a payment of — was it \$36 million?

Dr MILES — I do not have that detail.

Mr DONNELLAN — I might have to come back to you on that, but I think it is in relation to payments to operate the heavy vehicle regulator, which I think, from memory — and I will stand corrected — was about \$36 million that Victoria was due under the national agreement to fund the operations of the national heavy

vehicle regulator. So that is what makes it up; I think there are 12 in that and about 36. That is broadly, from memory, what the funding is actually for.

Dr CARLING-JENKINS — Okay. Thank you. That explains that difference. I appreciate that. Very quickly, because I do not have a lot of time remaining, I just wanted to mention something from your presentation on page 3 around port upgrades, getting away from the port of Melbourne sale, but looking at the port of Geelong. I was interested in a comment that you made, because this port obviously has close ties to the area of Wyndham. I note you are investing into this port, and you mentioned the introduction of new technology. I just wondered if you could speak to that in the 30 seconds remaining.

Mr DONNELLAN — Funnily enough that was developed by a gentleman called Dr Terry O'Brien, who lives down that way.

Mr D. O'BRIEN — A lovely fellow.

Mr DONNELLAN — It is a software program used to effectively maximise the load you can put on ships, subject to their draught. It is actually quite unique in the world. I think it is used at various ports around the world. It has been locally developed by Terry O'Brien and his family. They are based just outside of Geelong. I have met with them a couple of times. It is now operating at the port of Geelong — —

The CHAIR — Order, Minister!

Mr DONNELLAN — It is also operating at the port of Melbourne.

The CHAIR — Before I flick to members of the government, I would like to remind all members that the standing orders of the Legislative Assembly apply to the committee's hearings, and members are not to use a derogatory term or to impugn the reputation of another member. Normally the custom and practice is that when a member takes exception and a withdrawal is sought, a withdrawal is provided unqualified. I would encourage all members to remember that. If members are not prepared to respect the standing orders of the Legislative Assembly, I am happy to take up the matter with the Speaker at the conclusion of the hearing.

Mr T. SMITH — Hang on, I presume that is referring to my comment before — —

The CHAIR — Yes. I am ensuring that going forward all members are mindful of the standing orders of the Legislative Assembly that govern the conduct of this committee.

Mr D. O'BRIEN — On the point, Chair, the standing orders of the Legislative Assembly are that if you are personally offended you cannot take offence on behalf of someone else.

The CHAIR — Yes, I am aware of that, Mr O'Brien, but obviously this is in a different setting and in a different format in that not all members of the Assembly are present. I am encouraging members to be mindful that standing orders do apply.

Mr T. SMITH — The comment that was made — —

Ms SHING — You are eating into our time here, Mr Smith.

Mr T. SMITH — There is precedent by the truckload from the last — —

Ms SHING — No, not in this forum.

The CHAIR — I am just encouraging members. I am not trying to make — —

Mr T. SMITH — If it helps the committee, that terminology will not be used again.

The CHAIR — I would appreciate that, Mr Smith.

Members interjecting.

The CHAIR — Order! Let's move on.

Mr DIMOPOULOS — Minister, I would like to ask you about the boating safety and facilities program, specifically BP3, page 149, under the section which is headed 'Port and freight network access'. I just want to find out a bit more about that program, the safety and facilities program — what the purpose is and how the funds are allocated.

Mr DONNELLAN — Thank you. Could I just make one slight correction to what I said in relation to the National Heavy Vehicle Regulator? It was not \$36 million, Doctor; it was \$30 million. So my memory is a little bit dodgy, but it was \$30 million we are required pay to operate the National Heavy Vehicle Regulator under the transport ministers national council. I just thought I would correct that.

Dr CARLING-JENKINS — Thank you.

Mr DONNELLAN — The boating safety and facilities program is an \$8 million program. It is very much about looking at funding boating infrastructure, aids to navigation, launching marine search and rescue and master planning for boating precincts. It is an extensive program, very much a program that I tend to let the industry representatives, the consultative committee I have got, decide. The last round of funding for the boating programs in terms of the projects chosen very much were all chosen by the industry reps. Whether it is the boating industry association, whether it is Parks Victoria, whether it is the yachting association, whether it is the volunteer coast guard, I do not actually interfere with the choices at all. I very much just say, 'Look, here's \$8 million. Please come to me with recommendations of how we can actually improve boating safety, boating infrastructure, the recreational experience of the community and how we can keep growing the industry', because it is a multibillion-dollar industry. I think there are 190 000 registered power craft — registered boats, effectively — in Victoria. On long weekends you have only got to look at Patterson Lakes in Carrum and places like that. You cannot get parking, it is just so popular. You being from the Greek community, you would know how many of the little tin boats go out with Pa going fishing and so forth from Mordialloc Creek.

Mr DIMOPOULOS — First generation use tin boats. Second generation have far more expensive boats. I prefer the tin ones.

Mr DONNELLAN — But you have not got the tin boat?

Mr DIMOPOULOS — No. Minister, could you give us a bit of a flavour of the kinds of projects, a couple examples of projects that were funded out of that \$8 million fund and also what the spread is around Victoria? Is it a fair spread?

Mr DONNELLAN — Yes. Look, it is very much an extensive spread. It is very much throughout regional Victoria. The majority of the funding which this undertakes is in regional Victoria. In terms of specific projects, I have got a list here which I can provide you with, but they are very much focused on regional Victoria. We upgraded the navigational buoys in Hopkins River for the Warrnambool City Council, replacement of buoys at Lake Narracan for Latrobe City Council, installation of lights on buoys for Tocumwal lake. What else did we do? Gannawarra Shire Council, the Kangaroo Lake and Lake Charm buoy upgrades.

A lot of it has got safety, a lot of it is actually just getting better access to the water for people without having to put their vehicle right into the water literally, because we know what that does to them, with rusting and the like. So is actually improving access, encouraging more people to go fishing, using their boats for recreational purposes and making it as safe as we can. Some of the funding goes to the volunteer coast guard to assist them in their endeavours as well and the like. So it is a pretty broad program. It is focused very much in the regions, because that is where people love to undertake their recreation; they do not seem to take it in their backyard.

Mr DIMOPOULOS — Thanks, Minister.

Ms SHING — Minister, I might pick up there in relation to the issue of the regional boating safety and facilities program — again, that budget paper reference, at BP3, page 149. In particular, the new Gippsland dredge and those funds for that dredge, they were announced last year. Could you provide the committee with a status update in relation to how that is proceeding?

Mr DONNELLAN — Yes. It was \$12 million and it is very much about getting a dredge suitable for use down at Lakes Entrance. We know the enormous both commercial and recreational fishing industries at Lakes

Entrance. Funnily enough, the first holiday I had when I came to this country was at Lakes Entrance. As a young boy I remember Lakes Entrance very well and the Metung pub and jumping over the steps there.

Mr D. O'BRIEN — Hopefully not as a young boy in the Metung pub.

Mr DONNELLAN — No. My parents were having a meal there and I was just jumping up and down the steps.

Ms SHING — Do not be waylaid by Mr O'Brien's deciding to talk about pubs in the country, Minister.

Mr DONNELLAN — Well, we all like pubs. Look, the real issue there was there was no capacity to lease a dredge. After a comprehensive process undertaken with Treasury, the department of transport and the like, the decision was made to actually proceed with purchasing a specific dredge for use at Lakes Entrance, but with enough flexibility to actually be used at other points around the whole coastline of Victoria, so that we can actually maximise the use. I believe that by 2017 the dredge will be ready to go.

Ms SHING — And it will be available for use across all locations in the state, subject to availability?

Mr DONNELLAN — Obviously it will have a focus on Lakes Entrance, where we have such substantial commercial and recreational fishing opportunities, but if we can use it elsewhere, which I understand they are looking at, we will do so.

Ms SHING — Excellent. Thank you, Minister.

Mr DIMOPOULOS — Just quickly in the short time remaining, with the industry groups represented, there is an annual grants program for this?

Mr DONNELLAN — This is every year. Last year it was \$8 million; this year it is \$8 million.

Mr DIMOPOULOS — So it is one round a year; do you know?

Mr DONNELLAN — Yes, one round a year.

Mr DIMOPOULOS — One round a year, and they recommend?

Mr DONNELLAN — They make recommendations. Sometimes it will be staged funding. One year we might put maybe 100 000 in for planning or whatever the case may be and then the next year 200 000 for the actual capital part of the project. I mean, they are probably figures which are a bit sort of out of kilter. It can be staged, but it is very much driven by the industry, not one which I tend to try and —

The honest truth is I do not have enough experience in that area, so I very much am dependent upon the industry to guide me.

Mr DIMOPOULOS — And that is the safest way. Most of the beneficiaries seem to be councils, because they are the land managers of those waterways?

Mr DONNELLAN — Yes, a lot of the time. They will be managing the committee of management or they will be the managers themselves, so yes, a lot of the time it will be up to the council. It is a bit like down at Portland. There was a major improvement down there and a lot of it was very much driven by the council.

Mr DIMOPOULOS — Minister, one last one. You mentioned the volunteer coast guards before?

Mr DONNELLAN — Yes.

Mr DIMOPOULOS — How would that funding be distributed, straight to them as an NGO, or would it be — —

Mr DONNELLAN — No, it went straight to the volunteer coast guard for use. Now I have to — —

Ms SHING — At their discretion, Minister?

Mr DONNELLAN — No, it was specifically — I am actually now just trying to look up, but I think it was about 500 000 awarded for a new vessel in Paynesville, which was 300 — —

The CHAIR — Order! Mr O'Brien for 10 minutes.

Mr DONNELLAN — Okay. I will come back to you on that.

Mr D. O'BRIEN — Minister, I just want to go to budget paper 3, page 123, which has the output summary for port and freight network assets. The now Premier, before the last election, overturned your previous support for the port of Hastings and threw Labor's support behind Bay West, and he told Neil Mitchell in March 2014 that 'the jobs, jobs and more jobs that can come from' — Bay West — 'is significant, in fact it's huge' for Geelong. How many jobs will be created in this term of government through Bay West?

Mr DONNELLAN — Well, first and foremost, in terms of where and when the second port will be built or otherwise, at the moment I am in discussions with the Special Minister of State in terms of a referral to Infrastructure Victoria to assess when a second port should or should not be built, where it should be built and very much what are the trigger points for doing so. In terms of my assessment of where the second port should or should not be — and that might be 20 to 25 years away — I am very much agnostic, as I have said previously in this committee. I represent the south-east, so if it came down to personal self-interest — —

Mr T. SMITH — You certainly represent it.

Mr DONNELLAN — Yes, I always do.

Mr T. SMITH — You do not live in it.

Mr DONNELLAN — I do a very good job of representing it, and if it was a personal bias, I would have it in the south-east.

Ms SHING — But it is not a personal bias.

Mr DONNELLAN — No, it is not a personal bias. That why we are sending it off for Infrastructure Victoria — —

Mr D. O'BRIEN — So are you saying you are not supporting Labor Party policy, Minister?

Mr DONNELLAN — No, there is — —

Ms SHING — What, to refer to Infrastructure Victoria?

Mr D. O'BRIEN — Well, Bay West was the big thing.

Ms SHING — To refer to Infrastructure Victoria, Mr O'Brien. Don't misquote.

Mr DONNELLAN — As I said last year, Hastings has a deep sea capacity which has been dredged previously. People get this bird-brained idea that Hastings has not been dredged before. Hastings has been dredged before. It had to be dredged near the opening. But that has good deep access, so it has got great advantages there, but obviously its road and rail infrastructure is challenging, whereas the west obviously has national rail and road infrastructure, but there is the issue of dredging and the like there as well. I do not think either of them stands out as the no. 1 choice. I think they have both got advantages and disadvantages, and that is very much why I very much support the reference off to Infrastructure Victoria to make that assessment.

Mr D. O'BRIEN — So you did not quite finish that. You said you were discussing it with the Special Minister of State.

Mr DONNELLAN — Yes, in terms of the reference, or the outline of what the reference will be, to Infrastructure Victoria.

Mr D. O'BRIEN — We are 18 months into this government. Why has it taken so long to send a simple reference on to look into Bay West or — —

Mr DONNELLAN — Well, I think we have actually achieved a lot in 18 months. I can tell you I am very happy to put our record against anyone else's record of getting jobs — —

Mr D. O'BRIEN — You have not been able to refer something to Infrastructure Victoria.

Mr DONNELLAN — I would say we have moved very quickly, we have moved efficiently and we are getting the job done. Certainly we have got more major projects in the first couple of years than that other government did.

Mr DIMOPOULOS — That is right — four long years of holiday.

Mr D. O'BRIEN — But seriously, Minister, both sides of politics supported the port of Melbourne lease going into the last election, so that was known. But the Premier — —

Ms SHING — Except you held it up for 10 weeks.

Mr D. O'BRIEN — Can I ask the questions please, Ms Shing? The Premier made very big commitments, and I will give that quote again:

... the jobs, jobs and more jobs that can come from —

Bay West —

... is significant, in fact it's huge ...

He said that Geelong was a region that needed industry, 'that needed a real kick along', and he sold them Bay West as the solution. Why has it taken 18 months then to even refer this to Infrastructure Victoria, let alone make a decision about it? It is just a referral; why has it taken so long?

Mr DONNELLAN — No, I think that at the end of the day we move very quickly in all the things we do. We waited a fair while for the lease of the port of Melbourne to go through the upper house. That was an extensive process. There have been various reasons why or why not there have been delays, some of them being related to the upper house, as I was saying, but in due course that will go off soon, there will be a reference to Infrastructure Victoria and they will make that assessment.

Mr D. O'BRIEN — Best case scenario then, Minister, when would the first job for Geelong be created through Bay West?

Mr DONNELLAN — Well, put it this way, the government is always looking at creating — —

Members interjecting.

Mr DONNELLAN — Let us look at the basic figures. We are currently at an unemployment rate of 5.7 per cent. We inherited a rate of 6.7 per cent, so I would say in the 18 months we have been in we have gone from the bottom of the pack to the top of the pack in terms of growth, in terms of employment growth. We were down the bottom of the pack, down with Tasmania, second last in terms of employment growth, so I would say our employment record is very good. We have got 10 000 jobs being created through the western distributor and Melbourne Metro.

Mr D. O'BRIEN — The question was about Bay West. When will we see the first job that the Premier promised the people of Geelong from the Bay West option?

Mr DONNELLAN — I have indicated quite clearly that it is going off to Infrastructure Victoria for assessment.

Mr D. O'BRIEN — Ms Shing, you seem to have misunderstood when the Premier said 'the jobs, jobs and more jobs that can come from' — Bay West — 'is significant, in fact it's huge'. That was your Premier before the election; that is what he said. He sold Geelong a pup and now it has been put off into the never-never. We have not even asked Infrastructure Victoria.

The CHAIR — Order! Mr O'Brien do you have another question?

Mr D. O'BRIEN — I do have another question. I will move on to something else because clearly the important things for Geelong are no longer important after the election, so let us go to something —

The CHAIR — Mr O'Brien, is there a question? The clock is ticking.

Mr D. O'BRIEN — Minister, budget paper 5, page 79, outlines the operating expenses for the department. In respect to piers and jetties, which you are responsible for, and specifically around the bay, were you consulted on the decision to invest more money for CCTV to protect the penguins at St Kilda Pier?

Mr DONNELLAN — No, I was not particularly consulted. That would be something they would deal with — departmental officials — in relation to that. In terms of the fine detail, as I have indicated for the boating facilities and safety program, I tend to let the decisions be made by those with the most experience and alike and things like that. I would hope that people would not try to kill penguins down at St Kilda Pier.

Mr D. O'BRIEN — I am sure we all do, but we have got a government spending more on CCTV for penguins than we do for people.

Mr DONNELLAN — Yes, and if CCTV cameras will stop some dingbats behaving inappropriately, I think that is appropriate.

Mr D. O'BRIEN — I will move onto another issue then. Are you aware Gippsland Ports has a review of fees and charges at the moment that will see some berthing and mooring rise up to 105 per cent?

Mr DIMOPOULOS — Chair, can I have the budget reference for that?

Mr D. O'BRIEN — I just gave it; it is the same one — budget paper 5, page 79.

Mr DONNELLAN — I understand Gippsland Ports is looking at increasing fees and the like to actually cover their costs, and we have obviously just put \$12 million in there for a dredge. I think we have made a very solid commitment to ensuring that the recreational and commercial fishing opportunities are available down there for the community so that this does not silt up and people can get in and out of Lakes Entrance and the beautiful waters there are there.

Mr D. O'BRIEN — So you are aware of the new fees?

Mr DONNELLAN — Look, at the end of the day they are always reviewing matters like that, and I think it is appropriate.

Mr D. O'BRIEN — Do you support the introduction of new commercial shipping slipway and boatyard fees and a fee of \$90 per day for contractors to just access the Paynesville and Bullock Island shipyards?

Mr DONNELLAN — At this stage that has not been put before me in a brief, so I do not support or not support it, but obviously in due course I will look at it and I will consider it accordingly.

Mr D. O'BRIEN — Do you get a final sign-off on these fees?

Mr DONNELLAN — I would assume I would definitely be getting a brief on that to ensure that there is appropriate cost of recovery or not. I think that is appropriate.

Mr D. O'BRIEN — But do you get a final sign-off on it, or is it Gippsland Ports' decision?

Mr DONNELLAN — No, Gippsland Ports would have the final decision, but they would brief the minister, obviously, as to what they are up to so minister was not caught off guard.

Mr D. O'BRIEN — Okay. A final, selfish one: have you provided any funding in this year's budget for Gippsland Ports for maintenance of the long jetty at Port Welshpool, which, as you are probably aware, is literally starting to fall into the sea?

Mr DONNELLAN — Yes. No, I do not believe we have. I will come back to you on that. I will take it on notice.

Mr D. O'BRIEN — Have you had any updates from Gippsland Ports on the state of the jetty? I know there is a separate process going through RDV and the federal government about rebuilding it.

Mr DONNELLAN — Yes. Last time I was down there with Gippsland Ports I did discuss that particular issue, and the real issue there is that it is fine to just spend money repairing it, but what is the recreational return for the community overall? It is not about just repairing the jetty and saying, 'Gee, it looks pretty'. What is it actually going to be used for? What is it going to deliver to the local community and the like? I really think that is the major issue, and to date I have not seen a proposal which actually says that if we put in a certain amount of money, this will deliver a benefit to the community and a benefit in terms of recreation, tourism and related opportunities. If that comes to me I am happy to — —

The CHAIR — Order! Ms Pennicuik until 5.00 p.m.

Ms PENNICUIK — Thank you, Chair. Minister, on budget paper 4, page 103, with the new projects it says it is some \$37 million of projects at the port there in terms of the channels, new infrastructure for wharves and berths, wharf rehabilitation et cetera. You have also responsibility under the act for safety and environment management plans and for ministerial guidelines et cetera. There is certainly some modelling around that suggests the port is vulnerable to sea level rise, particularly if that is attached to high tides and storm surges. I am just wondering if the government is doing any modelling of its own on that and whether you are actually updating your own ministerial guidelines, which are about four years old — I think they are 2012 — and your current safety and environment management plan, which I think is about 2014.

Mr DONNELLAN — No, we are not doing modelling on that the moment. We have got, obviously, the 2012 guidelines which we would have done modelling for, but we have not updated that modelling, no.

Ms PENNICUIK — Minister, it mentions vulnerabilities, but it does not go to any detail, so why are you not doing any modelling and why are you not looking to update those in light of the changed conditions. You have just said you are not a commercial operator anymore, you are the regulator and administrator.

Mr DONNELLAN — We are still the commercial operator of the port, obviously, until we finalise the leasehold sale. In due course — —

Ms PENNICUIK — Going forward.

Mr DONNELLAN — The transfer has not happened yet, but it will happen soon, probably towards the end of the year, and in due course we can consider that.

Ms PENNICUIK — So it is not on the cards at the moment?

Mr DONNELLAN — No. You are asking have we done it recently. No.

Ms PENNICUIK — Are you looking at doing it?

Mr DONNELLAN — Yes.

Ms PENNICUIK — You are? Okay. Minister you showed a slide in your presentation about local ports.

Mr DONNELLAN — Yes.

Ms PENNICUIK — I just wanted to raise the issue of Bastion Point and the so-called safe boat harbour at Mallacoota. There have been quite a lot of recent incidents there, safety incidents in particular, with boats getting into trouble trying to get out of there. That was an issue that was certainly raised by the independent panel, which recommended against the so-called safe boat harbour. You would understand that there has been a lot of community distress there over the destruction of the beach, but in terms of the safety can you perhaps comment on those issues that have been happening over the last little while in terms of safety incidents at that particular place?

Mr DONNELLAN — Obviously we are always trying to improve safety, and that is why the idea of a safe harbour was actually put forward. In terms of specific safety instances, I am happy to come back to you on that because I do not have the fine details. I am happy to provide you with a written response to that.

Ms PENNICUIK — Yes. In terms of your written response, I know there have been some incidents — and I do not have the actual list of them in front of me, but they have certainly been reported to me — so I would be very interested to know what you are doing as the minister in terms of preventing that happening in the future, given that the changes have already been made down there.

Mr DONNELLAN — I will comment, though, that generally the greatest issue we have in safety is middle-aged males who will not wear jackets — to be honest, the ‘grumpy old men’ syndrome. In terms of loss of lives and in terms of boats and the like, it is really down to the grumpy old men who will not wear their safety jackets. You would be surprised how many times we have lost a life and I will read the report and it will be a middle-aged man who did not have his float jacket on. That is just a general comment.

Ms PENNICUIK — I accept that comment, but in relation to some of the reports I have seen it is about loss of ability to see waves coming in. When people are trying to go out, they cannot actually see the weather on the other side.

Mr DONNELLAN — I will have to get you a formal brief on that.

Ms PENNICUIK — I think we are looking at important issues, so I would like to cover those issues.

Mr DONNELLAN — Yes, I am happy to come back to you on notice, definitely.

Ms PENNICUIK — Minister, in the remaining 30 seconds, just in terms of your previous presentation, could I go to that? You say there is a 4 to 5 per cent increase in container movements.

Mr DONNELLAN — Yes.

Ms PENNICUIK — Can you tell me whether that is export or import?

Mr DONNELLAN — That is overall — increasing, in and out.

Ms PENNICUIK — Can you give me the breakdown as to whether it is export or import? I am sure you have got it somewhere.

Mr DONNELLAN — Yes, we can get that for you, happily.

Ms PENNICUIK — I think you mentioned earlier that Victoria was 36 per cent of container traffic. I thought it used to be 38 per cent. Has it gone down 2 per cent?

Mr DONNELLAN — It might have been higher, but I will get you the answer to that.

The CHAIR — Order! The hearing has concluded. I would like to thank the witnesses for their attendance; the Minister for Ports, the Honourable Luke Donnellan, MP; Mr Bolt; Dr Miles; Mr Abboud; and Mr Easy. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 14 calendar days of that request.

Committee adjourned.