

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into infrastructure projects

Melbourne — 24 May 2016

Members

Mr Joshua Morris — Chair

Ms Colleen Hartland

Mr Khalil Eideh — Deputy Chair

Mr Shaun Leane

Mr Nazih Elasmr

Mr Craig Ondarchie

Mr Bernie Finn

Staff

Secretary: Dr Christopher Gribbin

Witnesses

Mr Nick Easy, chief executive officer, Port of Melbourne Corporation;

Mr David Martine, secretary,

Mr David Webster, deputy secretary, commercial division, and

Mr Nick Rizos, acting director, port transaction unit, Department of Treasury and Finance.

The CHAIR — I will begin by declaring open the Standing Committee on the Economy and Infrastructure public hearing here this morning and extending a welcome to everybody present. Today the committee is hearing evidence in relation to the infrastructure inquiry, and the evidence today is being recorded. This hearing is to inform the second of at least six reports into infrastructure projects, and witnesses who are present here today may well be invited back for future hearings. All evidence taken today is protected by parliamentary privilege, therefore you are protected for what you say in here today, but if you go outside and repeat the same things, those comments may not be protected by this same privilege. I welcome the witnesses who are present here this morning. Gentlemen, I will ask you to introduce yourselves and state your name and the capacity in which you are appearing before us here this morning.

Mr RIZOS — Thank you for the invitation. I am Nick Rizos, the director of the port transaction unit, with the Department of Treasury and Finance.

Mr MARTINE — David Martine, Secretary of the Department of Treasury and Finance.

Mr WEBSTER — David Webster, deputy secretary, commercial, Department of Treasury and Finance.

Mr EASY — Nick Easy, CEO, Port of Melbourne Corporation.

The CHAIR — Thank you very much, gentlemen. You may have presentations that you would like to begin with before we have questions. Does anyone have a presentation?

Mr MARTINE — Thank you, Chair, and thank you for the invitation for us to appear today. I was just planning to make a very brief comment just to update the committee on the status of the process around the lease of the commercial operations of the port of Melbourne. As you would be aware, following passage of the legislation in March of this calendar year the government commenced the competitive bidding process. The expressions-of-interest stage closed on 18 April of this year, and we are now in what we call the indicative bid stage. It is expected the transaction will still conclude by the end of this calendar year. During last year's select committee inquiry into the transaction my department provided quite a lot of information to that particular committee, which is now on the public record. That is quite a valuable source for this committee in terms of issues around the port of Melbourne, but we are more than happy to provide that information separately to this committee. We are kind of in your hands; whatever is easier.

One comment I will make: while we are happy, obviously, to answer questions around the process, due to strict probity and confidentiality requirements we are going to have to be a little bit careful, given we are in the middle of the bidding phase, in what we can and cannot say, but no doubt there are a whole range of matters that we can usefully discuss here this morning. So with that, we are more than happy to take the committee's questions.

The CHAIR — Fabulous. Thank you for that, and I might kick off with a couple of questions. I was just interested to find out whether or not there has been any interaction between Infrastructure Victoria and, say, the port of Melbourne with regard to options for the second container port here in Victoria.

Mr EASY — The only interaction I have had with the CEO of Infrastructure Victoria was a recent meet and greet, so that was talking about their terms of reference and the work they are doing, and that obviously included an intention to investigate decisions on a second port for Victoria.

The CHAIR — But I note that in the *Age* Josh Gordon has written that earlier this month Special Minister of State, Gavin Jennings, formally instructed Infrastructure Victoria to examine when Victoria will need a second port and where it should be located. I am interested, Mr Martine, in whether you have got any knowledge of that or what your understanding is of what has occurred there.

Mr MARTINE — Certainly, Chair, as you have indicated, that is correct. The government has, through the Special Minister of State, referred that matter recently to Infrastructure Victoria, who will now examine the matter and then report back to government, and the reports are made public as well. I cannot recall the exact timing of that.

The CHAIR — Do you recall when the referral was made?

Mr MARTINE — I do not have that information with me, Chair, but — —

The CHAIR — Would it have been this month?

Mr MARTINE — That may be the case, but I would have to take that on notice because it is essentially a different portfolio than ours, but it has been recent. So it might be this month, it might have been last month, I am not too sure, but it is within that time frame.

The CHAIR — And do you have the referral?

Mr MARTINE — No, I do not.

The CHAIR — You do not have a copy of the referral?

Mr MARTINE — We probably would have been copied; yes, we would have been copied in.

The CHAIR — Are you able to provide that to the committee?

Mr MARTINE — I would need to take that on notice because essentially it is a different minister, a different portfolio, so I would need to consult with the Department of Premier and Cabinet who provide advice to the Special Minister of State.

The CHAIR — Did you want to add something, Mr Webster?

Mr WEBSTER — No.

The CHAIR — I am interested that the port-rail shuttle was ready to go under the former government and the project was being prepared for tender. I am wondering what was wrong with this project and why it has been put on the backburner at this point.

Mr MARTINE — I might get Mr Rizos to answer that question.

Mr RIZOS — Thank you, Chair, for the question. From our perspective there was a significant discussion with the select committee last year on this very issue, and it was subject to an amendment to the then bill, now act, facilitating the transaction. Regarding the rationale around the approach to rail at the port, I think from our perspective it is critical that that is dealt with in an appropriate manner, subject to relevant stakeholder engagement. One of the critical issues from our perspective is to ensure that the new port operator, at the completion of this transaction, has the ability to get their feet under the desk, so to speak, and produce a rail access strategy. That was something that was accepted by the Parliament as a consequence of those amendments to the then bill, now act. So the new operator will have an obligation to look at rail access at the port of Melbourne. They will be required to deliver a rail access strategy within three years of assuming the role of port operator. We consider that to be an appropriate period of time for them to engage with stevedores, port users, freight forwarders et cetera. One of the first things they need to consider as part of that rail access strategy is the port rail shuttle concept. So we thought it was a more complete and comprehensive approach to deal with it in that manner.

The CHAIR — The time frame for the delivery of the new project is how long?

Mr RIZOS — That will be determined as a consequence of the rail access strategy that the new port operator is required to consult with all stakeholders on, and that strategy is required to be delivered within three years.

The CHAIR — Not even a ballpark figure on when the actual project may be completed?

Mr RIZOS — It would be inappropriate for me to speculate on how those stakeholder consultations will play out between the operator and stevedores and other stakeholders.

The CHAIR — Was the funding for the previous port rail shuttle project in the vicinity of about \$58 million or so that had been allocated? Is that true?

Mr RIZOS — It was a combination of commonwealth and state funding that had been set aside.

The CHAIR — Do you know what has happened to that funding that was set aside?

Mr RIZOS — Our understanding is that that funding is still available.

The CHAIR — It is still available, so it is still there. Thank you.

Mr EIDEH — I want to ask about the western distributor. Do you think that the western distributor would provide significant benefits for importers and exporters?

Mr MARTINE — I might get Mr Webster to talk a bit about the western distributor.

Mr WEBSTER — Certainly anything which improves access and egress into the port and helps the freight logistics chain will be of benefit to not only importers and exporters but all Victorians as well. So yes, the western distributor, as well as directly impacting on the supply chain cost, will also take a large number of trucks out of the inner west.

Mr EIDEH — What is the latest trade performance of the port — any idea?

Mr EASY — I am happy to take that question. This year we are seeing an improvement of trade figures on last year. At the end of the last financial year trade, and particularly containers, increased by 1.8 per cent through the port of Melbourne. As at April of this year we have seen containers growing at a rate of 3.7 per cent. So we are seeing an increase in trade this year, which is an improvement on last year's volumes through the port, and that is also consistent with some other commodity groups. Motor vehicles have increased by 10 per cent through the port this year, so in a number of those groups we have seen improvements, and we have achieved 2.6 million TEUs through the port of Melbourne this calendar year, which is a first for the port of Melbourne.

Mr EIDEH — How have the staff been briefed on the impact of the lease on their employment, and how are they being supported during this period?

Mr EASY — Okay, I might start with the legislation. The legislation that was passed includes protection provisions for staff within the corporation. In particular those on an enterprise agreement have a two-year employment guarantee, and for other staff that are on contracts, their conditions will remain during any employment with the port manager.

In terms of transparency in communication, we have gone to some lengths to ensure that staff are well informed during the process. They have been briefed on a regular basis. They have been made aware of the protection provisions in the legislation and also been part of the process that will ultimately separate the functions and the activities of the corporation — those that will support the residual state functions that will rest with the new entity, called Victorian Ports Corporation (Melbourne), and those that will rest with the port manager. So I am quite comfortable that we have briefed and kept our staff well informed on the transaction, that they understand the implications attached to the transaction and that they will have ongoing employment.

Mr EIDEH — A final question: what is the progress of the port capacity project?

Mr EASY — I am happy to take that too. The port capacity project is a significant project for the port — \$1.6 billion in investment. Under \$1 billion of that is attached to investment by the corporation. The project is on schedule and it is under budget in terms of delivering the key outcomes, which will be a new international container terminal, which is expected to commence operations at the end of this year, and the automotive terminal. Two of those berths are under operation today, with a third berth still under construction. The two pre-delivery inspection facilities that support the automotive terminal have also commenced operations.

We have also seen significant improvements in the landscaping and the buffer surrounding the operations of the port. Those works have been concluded, and the construction of new internal roads that will provide direct access to the freeway system are almost complete as well. Significantly the closure of Todd Road and Williamstown Road has been completed, and that does assist in ensuring truck movements from that facility — access and egress of that area via the major arterial road network.

Ms HARTLAND — I have got a number of questions around the port shuttle and around western distributor. I live in Footscray, so I know the effect that the port has on local streets in terms of truck numbers. So if we could go to the issue of the rail port shuttle first, it is my understanding that it would take roughly 3500 trucks off Footscray roads each day if it was built. I do not quite understand why it is that \$58 million has

sat for several years and this not proceed. Could someone explain that to me? I just do not understand if the money is available — and, as I understand it from several logistics companies, if it was there it would be quite usable — why is that money sitting there and that not being done?

Mr RIZOS — I am happy to take that question. At the risk of repeating what I may have said earlier to other members — and I will not revisit too much of history, because some of that predates myself — the approach we have adopted I think is one that has been taken in the context of the transaction. The port rail shuttle concept is a concept to address the issue; it is not suggesting it is the only approach. Our biggest concern in structuring the transaction was to ensure that all options were tested and tested with all stakeholders, so what we have developed as a framework, which was subject to the amendment that was passed by the Parliament, was to ensure that we gave the new operator a sufficient period of time to familiarise themselves with the operations of the port, to engage with the community, with the stevedores, with other stakeholders, in developing and accepting an approach and testing that with the government through the rail access strategy.

The port rail shuttle is one concept; we have had suggestions from stevedores that there may be alternatives. Our view is: we are not necessarily best placed to make that call without the benefit of having the sort of stakeholder engagement that the new port operator is required now to engage in, based on those amendments that were passed by the Parliament earlier this year.

Mr WEBSTER — Ultimately the success or failure of rail access into the port will be driven by the stevedores and what works for them, so we are giving the new owner the opportunity to actually work out and work with the stakeholders, as Nick was saying, what is the optimal solution for rail into the port. As Nick said, the port rail shuttle is one of a number of potential options which should be thoroughly investigated.

Ms HARTLAND — So will the concerns of residents and the impact of freight, of trucks, through the inner west, which runs at about 21 000 movements a day — they will not be considered in this, if you are only considering the views of the stevedores?

Mr WEBSTER — There will be a number of stakeholders that are required to be consulted, as part of the rail access strategy. That rail access strategy will come back for government to consider. Government will obviously have a wide range of considerations when it is in discussions on the port rail shuttle.

Ms HARTLAND — That is not the question I asked. I asked about the effect of what is a considerable problem within the inner west now with 21 000 truck movements a day. How are the health and the concerns of local residents around the issue of transport out of the port through their residential streets going to be dealt with, if we are not going to have the port rail shuttle? And my understanding of what the bill says is that they may be required to; it is not saying that they have to. And in a project that would appear to take 3500 trucks off inner west roads a day, I am still unclear as to why it is not being seriously considered, nor the health of local residents being seriously considered.

Mr WEBSTER — The rail access strategy is a mandatory requirement for the new owner to put and get in front of government to consider. There is a stakeholder consultation requirement in that. When government considers that at a future point, they will obviously have a wide range of stakeholders, including the local residents, to consider in terms of what it determines as their future policy.

Ms HARTLAND — That does not mean that it actually will be done, does it? The legislation says it is to be considered; it does not say that it will be done.

Mr WEBSTER — It is a matter for a future government.

Ms HARTLAND — Right, so in between time how would you suggest that residents in the inner west deal with the issue of truck transport, when it appears nothing is actually happening?

Mr RIZOS — Well, I guess there is a number of ways of looking at that issue. Our view would be that it is better to get the long-term outcome that best satisfies all stakeholders resolved through a consultation process that includes the community and stakeholders, including stevedores. That may take some time, but we think the benefit of having a comprehensive rail access strategy in place that is visible to stakeholders is more important than necessarily picking winners with one proposal that may have been put up by one proponent.

Ms HARTLAND — So how long would you think that the residents of the inner west will have to wait until there is a solution to truck traffic from the port? It has now been 10 years since local groups have been campaigning on this issue.

Mr MARTINE — I guess the important point is, as Mr Webster indicated, ultimately it will be a decision for the government of the day, taking into account the whole range of issues, including the views of local residents. In a sense, the port lease transaction does not affect that issue. It has always been a matter for the government of the day to make these decisions, so the government of the day will take into account no doubt all of the feedback it gets and make an appropriate judgement weighing up all of the costs and benefits.

Ms HARTLAND — So we just have to wait?

Mr WEBSTER — The western distributor is in progress at the moment. That will have a significant impact on truck movements in the inner west.

Ms HARTLAND — Can you explain to me: how will the western distributor actually have an effect if there is no truck ban in the inner west?

Mr WEBSTER — In terms of the supply and logistics chain, they are obviously looking for the most efficient routing of their trucks et cetera, so my understanding is the traffic modelling does show significant impact in terms of trucks diverting to the western distributor.

Ms HARTLAND — The traffic modelling — would you be able to supply that to the committee? At the moment I am actually in VCAT attempting to get the traffic modelling because the government has not been prepared to release it. Is your department prepared to release it to this committee?

Mr MARTINE — We would need to take that on notice, because we did not do the traffic modelling. We would need to take it on notice and consult the relevant department.

Ms HARTLAND — So when you give an answer about truck and traffic modelling, this committee cannot be assured that the traffic modelling that has been done is accurate if we cannot actually see it. Considering I have done it under FOI — I have to go to VCAT to actually attempt to get it, and I may or may not get it — it does not sound like a very transparent process.

Mr MARTINE — All I can say is that we are happy to take that on notice and consult with the relevant department. That is all we can really do, because it is not our traffic modelling.

Ms HARTLAND — Great. If I could just go back to one more on the western distributor. If I go back to the issue of tolls, I understand that the tolls will be roughly about \$13 per time for trucks to use it — this has not been confirmed yet, but that is what I understand — so most companies will be spending somewhere between \$50 and \$80 a day. I do not really imagine that most truck companies are going to be prepared to do that, so without a truck ban in the inner west, how is the western distributor actually going to have an effect on the 21 000 truck movements that we have to endure?

Mr WEBSTER — The set of tolls is a matter of commercial negotiation between government and Transurban and will be considered by government in due course.

Ms HARTLAND — So there are no answers as to where the western distributor is going to have any kind of impact on truck numbers in the inner west?

Mr WEBSTER — The expectation of the traffic modelling, as I indicated earlier, is that it will have a significant impact on truck movements.

Ms HARTLAND — But without us being able to see the traffic modelling, it is very difficult for this committee to actually say whether that is a reality or not.

Mr MARTINE — All I can say again is that I am happy to take that on notice and consult with the relevant department.

Ms HARTLAND — That would be appreciated, and it would be appreciated by the residents in the west.

Mr ONDARCHIE — Mr Rizos, you talked in your answers to earlier questions and also to Ms Hartland about the requirement of the successful bidder as a result of the act to develop a three-year strategy for the port rail. Strategy does not necessarily mean anything is going to happen, though, does it? It is just a strategy.

Mr RIZOS — Indeed, Mr Ondarchie, I think, as we indicated earlier, it is a matter for government ultimately to make the decision as to what it does with the recommendations coming out of that strategy.

Mr WEBSTER — The strategy has got to be capable of being implemented, and then it is a decision for government as to whether it will wish for that strategy to proceed and which of several options which may be presented it favours.

Mr ONDARCHIE — Sure. Thanks, Mr Webster, I understand that, but bringing up Ms Hartland's point, though, the development of the strategy does not necessarily mean that at any time in any of our lives anything is going to happen.

Mr RIZOS — There is a commitment for that strategy to be something that is implementable within five years, and I think that was something again that was tested with members of the upper house committee and ultimately formed part of the amendments to the bill, so there is an objective to ensure it is not a strategy for the sake of developing a strategy but a strategy that is capable of being implemented within a defined time frame.

Mr ONDARCHIE — Whose decision will it be if that is implemented?

Mr MARTINE — The government of the day.

Mr ONDARCHIE — Whose decision will it be that the most appropriate strategy is the right one to go with?

Mr MARTINE — Once again, it will be a decision of the government of the day. The requirement in the legislation, as Mr Rizos indicated, is that a strategy needs to be developed and has to be implementable within, I think, five years

Mr RIZOS — That is right.

Mr MARTINE — Then it will be up to the government of the day to make a decision.

Mr ONDARCHIE — The allocation of money, a combination of both federal and state money, was put aside for this whole project some time ago, and it got caught up or washed up into the whole tender process. Whose decision was it not to proceed with the original tender?

Mr MARTINE — Once again, it is decisions of government.

Mr ONDARCHIE — Whose decision?

Mr MARTINE — The government makes the decision.

Mr ONDARCHIE — Which government?

Mr LEANE — The one of the day.

Mr MARTINE — Yes, so in terms of the timing I would need to check the exact timing. It may predate my — —

Mr ONDARCHIE — While you guys are having a chat, this allocation was made by the previous government in combination with the federal government to proceed with a tender for the port rail shuttle, but what I am looking to find out is who decided not to proceed with that.

Mr WEBSTER — I think in terms of which previous government decided not to proceed, I am uncertain of the timing — —

Mr ONDARCHIE — We are not even sure it is a previous government, though, Mr Webster; it could be the current government.

Mr WEBSTER — It could be.

Mr LEANE — He knows the answer to his question.

Mr WEBSTER — I am uncertain of when the decision was actually made. My recollection is that it was pointed out that the port rail shuttle was one of a number of potential options for solving rail access into and out of the port, and that various stakeholders, including the stevedores, had views on what were the options and the optimum options for rail access into the port. I think nobody would want to be left with a potential white elephant of a project, so the strategy — —

Mr ONDARCHIE — This government has form on those sorts of things, but anyway.

Mr WEBSTER — A strategy of consulting the relevant stakeholders who were vital to actually ensuring that the rail strategy actually does get boxes off trucks and onto rail is the appropriate way forward.

Mr ONDARCHIE — My understanding is that when that allocation was made by the former government, there was a process underway to go to tender on the port rail shuttle. What I am looking to try to find out is, given there was a potential lease of the port of Melbourne on the agenda, when the decision was made not to proceed with the tender and who made that decision.

Mr MARTINE — We will need to take that on notice in terms of the timing. Ultimately it is a decision of a government, so whether it is the current government or the former government, I would need to take that on notice in terms of when that decision was made.

Mr ONDARCHIE — Will you write to us with that response?

Mr MARTINE — We will take it on notice, and, similar to the other questions we will take on notice, we will provide the answers back to the committee secretariat.

Mr ONDARCHIE — Thanks.

Mr ELASMAR — Welcome, gentlemen. Has the transaction addressed the select committee's recommendation, and can you provide the committee with an update on the transaction progress?

Mr RIZOS — Yes, certainly. Thank you for the question. Indeed the select committee had a number of recommendations — 15 recommendations — all of which were accepted. There were a series of amendments that were negotiated in the Parliament that were then given effect ultimately in the bill, which was passed in March and which now is of course the act facilitating the transaction. I am happy to take you through those, and perhaps I will touch on those. One was obviously the reference to the rail access strategy, which was certainly given effect following negotiations. There was a commitment to implement a complaints mechanism for the Essential Services Commission. That was also put in place in the legislation, so that has now been hardwired for the ESC. There was a reference to a — —

The CHAIR — We might just pause there for a couple of moments. That is to wake up our colleagues in the lower house. We will continue on once the bells stop.

Mr ELASMAR — That is better.

The CHAIR — I think we were with your question, Mr Elasmarr. Mr Rizos, did you want a reminder of what the question was, or do you know where we are?

Mr RIZOS — No, I know where we are; it was in relation to the amendments to the legislation. I might just keep it fairly brief given the amount of time we have just lost. The other amendments related to the rent-setting process. There was a desire to ensure the ESC had a role — so the Essential Services Commission would have a role in relation to port rent-setting. An amendment was put in place to provide the ESC with the power to conduct inquiries into the misuse of any market power by the port in the process of setting those rents. The prepayment of the port licence fee was capped at a 15-year period, so that was agreed. There was also an amendment amongst others in relation to the allocation of proceeds to regional Victoria — that was a requirement for a minimum of 10 per cent — so that was also agreed.

Mr ELASMAR — Thank you. One more question — what controls are in place to protect the environment during the lease period?

Mr RIZOS — I might take that one. From an environmental perspective there is no change as a consequence of the lease. Whether the port was to stay in public ownership or providing for the 50-year lease, there is no change to the role and the statutory framework as it applies to planning and environmental protections. So from our perspective the transaction has absolutely no impact on that at all.

Mr FINN — Mr Webster, I noted that you said the western distributor project was ‘in progress’. What exactly does that mean?

Mr WEBSTER — It means that we are at stage 4 of the market-led proposal guidelines, which is negotiations with Transurban on a pretty advanced level. Transurban are in the market at the moment with downstream design and construct tenderers. The process roughly is that bids will come back from that process. That will then help inform the EES deliberations, so we will go through the normal planning-type approvals and then we will come back for government to consider whether the overall project post planning is one they wish to proceed with or not.

Mr FINN — Am I safe in assuming that the government and Transurban are working on this project together?

Mr WEBSTER — We are obviously working with them in terms of whether there is an acceptable deal to the government ultimately to do the western distributor with Transurban.

Mr FINN — Given that they are the only bidder at this point — and I assume they will be the only bidder — has there been a nod and a wink at this point just to indicate that Transurban has got the job and that is the understanding that government is continuing this process under?

Mr WEBSTER — I think the government has been pretty clear in terms of if there is not an acceptable deal to government with Transurban, then they are committed to doing the project as a traditional government procurement.

Mr FINN — So if Transurban does not come up with the goods, as required by the government, the government will put in the expenditure that Transurban was going to put up. Is that right?

Mr WEBSTER — I would refer you back to the business case which was published, which is effectively a quasi-public sector comparator which outlines how the government would likely proceed with the project in the event that there was not an acceptable deal with Transurban.

Mr FINN — There does seem to be somewhat of an understanding, it would seem to me, that the deal is done. Transurban have gone into this project headlong at this point without anything being signed. I just fail to believe that any private company would put up the sort of expenditure and expose themselves to the sort of risk that they are without having some understanding from government that this project was in fact theirs and was going ahead with them as the project coordinator.

Mr WEBSTER — I think that unsolicited proposals and market-led proposals both envisage a multistage process where both parties get deeper into a negotiation phase and a due diligence phase. There are agreements around how those negotiations are progressed.

Mr FINN — So do we have agreements already in certain circumstances?

Mr WEBSTER — Agreements about how negotiations will progress.

Mr FINN — So we do not have any firm commitment from government or indeed a nod and a wink, as I say, that this will continue as a Transurban project.

Mr WEBSTER — As I said, at the end of the planning process the matter will come back to government to decide whether they wish to proceed with a deal with Transurban or not.

Mr FINN — The public perception seems to be — well, it is — that the government and Transurban, as I said before, are working on this together and that that has been almost from day one. As I said, it seems to me to be extraordinary that government would have thrown itself headlong into this and that Transurban would have thrown itself headlong into this without at least some tacit agreement that they were going to continue with it together to its end point. Are you telling me there has been no agreement to that effect — that there has been no even tacit agreement?

Mr WEBSTER — I think if you look at the market-led proposal guidelines and the unsolicited proposal guidelines in other states, they all envisage a set of unique circumstances where there are one-on-one negotiations with other parties which may or may not lead to a commercial contractual deal at the end of it, so I do not accept the premise of the question in terms of this being what the market-led proposal guidelines are there to do in terms of setting out the government expectations for how sole-source negotiations will take place and under what circumstances, and as I said, these have been replicated across the eastern seaboard in most Australian jurisdictions.

Mr FINN — This one may be for Mr Webster or it may be for Mr Martine, but as somebody who has watched this project very carefully, we to this point have long tunnels, we have short tunnels and, according to the *Herald Sun* last week, we have high tunnels — namely, a four-storey high tunnel — which would clearly impact severely on nearby residents. What is going on with regard to that? Because it seems to me that nobody seems to know what is going on with regard to the impact this will have on nearby residents, and every time we turn around somebody has got another idea that impacts upon them in a more severe way.

Mr WEBSTER — There is community consultation going on, as you are aware, in terms of both the long tunnel and the short tunnel options. I think one of my earlier questions referred to the normal environmental effects statement planning processes that will be gone through when various design options will be considered through the planning process.

Mr FINN — Do you have any information at all about the high tunnel?

Mr WEBSTER — That will be considered in due course in the planning process.

Mr FINN — Right, okay. Mr Easy, could I ask you a question? Has the Port of Melbourne Corporation or any entity associated with it, or indeed any government body, paid Murray Goulburn approximately \$17 million to surrender a lease option, and can you go into what area of the port this lease option covered, what the terms of the original lease were, when it was varied or effectively terminated by surrender and to whom this area may now be leased?

Mr EASY — There are a number of commercial arrangements you are referring to there regarding a lease with an occupier of port land. I would need to take that on notice as to whether I can answer that or what information I could provide to you.

Mr FINN — So you cannot tell me straight out here and now whether there has been a termination of a lease with Murray Goulburn.

Mr EASY — I do not believe there has been a termination of a lease with Murray Goulburn, but I am happy to take your question on notice and provide what information I can within the bounds of the commercial confidentiality of those lease documents that we have.

Mr FINN — Fine. Thank you.

Mr LEANE — I have a question. I am not too sure if you want to comment on it or not, but in the positions you have been in, I take it for a period of time, an unsolicited project proposal is not a new thing. I can think of one only in the last government when there was a similar approach around the Dandenong train line. Is that fair to say?

Mr WEBSTER — Correct. There was an unsolicited proposal under the previous government for the Cranbourne-Pakenham line — a substantial upgrade on that.

Mr LEANE — As Mr Rizos stated, there has been a six-month select committee where the potential port lease was examined. I am actually glad I missed that one. There was also a number of hours in the Legislative

Council of debate and discussion and amendment around the port lease, which unfortunately I had no choice of missing. But I have noticed on top of all that scrutiny there has been some commentary from Standard & Poor's, which I think has been highlighted in at least one mainstream newspaper, around the actual port lease transaction. Have you got any commentary or views about what Standard & Poor's concluded?

Mr WEBSTER — Obviously Standard & Poor's are an independent organisation and form their own particular views. I would say, and as extensively discussed at the inquiry into the port last year, the proposed regulatory regime for the port is wider and deeper than is currently at the port and is probably more extensive than what we see in other eastern seaboard ports. So we believe that the regulatory regime which is proposed for the port gives consumers and users of the port — importers and exporters — substantial protections and are appropriate for a healthy economy.

Mr LEANE — One last question. I think a genuine and real concern about heavy vehicle movement around the port has been highlighted by previous members of this committee. So as far as developing rail, how is that reflected in the actual transaction — in developing rail and trying to get as much through that type of freight rather than on the roads?

Mr RIZOS — I may elaborate on that if members wish. I might take a step back to give you the contextual framework more broadly. With the transaction as structured, given it is a 50-year lease — and unlike what has happened north of the border where we have seen 99-year leases, this is a 50-year lease — the state is very keen to ensure it retains a strong relationship with the port operator. So the framework that has been put in place includes a rail access strategy, which I alluded to earlier; it includes a port implementation plan, which will happen every five years at five-yearly intervals, and a port development strategy at five-yearly intervals.

These documents will require an interface between the port operator and the government to ensure that the government has absolute visibility of the plans that the port operator has in place looking forward, and that is looking at the proposition through a couple of lenses. One is to ensure that from the economic outcomes of the state, given the port plays a significant role in the economic outcomes of the state, the state has full visibility of projected demand and how the port proposes to provide capacity to deal with that demand. So that will be something that the state will see at five-yearly intervals and satisfy itself that the port is maintaining its obligations to ensure efficient throughput from the port. That will also require them to take into account landside implications associated with that projected demand. So that is pretty critical from the state's perspective.

The rail access strategy will also form part of that assessment. So when the port operator does the strategic analysis at five-yearly intervals, with rail it will be within three, that will be something they will need to engage on with various stakeholders and government to ensure that both the interests of the community outside the port gate are taken into account but also the economic interests of the state are taken into account in terms of proposed development. So from a transactional point of view, unlike other transactions, the state will retain an active relationship with the port operator for the duration of the 50-year lease to ensure there are no surprises either way.

The CHAIR — Mr Webster, I was hoping to ask with regard to the western distributor: what is the estimated value of the extra toll revenue in nominal terms of extending the CityLink tolling concessions for 12 years beyond its current expiry of 2035?

Mr WEBSTER — I will have to take that question on notice. I believe it is potentially commercial-in-confidence.

The CHAIR — You have done the numbers, though? You know nominally what that increase in revenue would be?

Mr WEBSTER — We would, in terms of informing government decision-making, do a value-for-money analysis of whatever Transurban's final proposal looks like versus a public sector comparator. So I would expect that would form part of a future value-for-money analysis.

The CHAIR — I note that the *Age* newspaper reported in February that transport actuary Ian Bell estimated a 12-year extension of the CityLink tolling concessions would generate \$20 to \$30 billion nominally in extra toll revenue. Do you think these estimates are somewhat on the money?

Mr WEBSTER — Implausible.

The CHAIR — Sorry?

Mr WEBSTER — Implausible.

The CHAIR — Implausible. Do you think higher or lower?

Mr WEBSTER — Implausible.

The CHAIR — You say they are implausible, so obviously you think those figures are wrong in some way. I would be interested to know whether or not you think that the revenue would be higher or lower than the \$20 to \$30 billion.

Mr WEBSTER — I am not going to go into specifics. As I said, they are likely to be commercial-in-confidence, but I will take the question on notice.

The CHAIR — What is the estimated nominal value of the revenue from tolls on the western distributor and the truck tolls on the West Gate Freeway?

Mr WEBSTER — Again, commercial-in-confidence subject to current negotiations with Transurban.

The CHAIR — But again you have estimates of what that revenue would be?

Mr WEBSTER — Again that is something that I will need to take on notice.

The CHAIR — I can understand that the numbers themselves you may need to take on notice, but whether or not the department has those numbers is what I am asking.

Mr MARTINE — Chair, as Mr Webster has indicated, we are working closely with Transurban, but there is a really important step that needs to come to a conclusion, which is the commercial negotiations. Then ultimately government will make a decision whether to proceed with the western distributor with Transurban or to proceed with the western distributor under a different model without Transurban. Obviously the question of tolling is part of those commercial negotiations, so we need to be quite careful and cautious in what we say, but clearly as part of the advice to government in making those decisions we will be giving the government extensive advice, including on the tolling.

The CHAIR — So the department does have estimated values of the tolling for the western distributor and the truck tolls on the West Gate Freeway. I can understand you do not want to give me a value of that, but whether or not — —

Mr MARTINE — I would need to take on notice exactly what we have at this point in time, but clearly we have been working on the project and we have been providing advice to government to progress through the steps of the market-led proposal arrangements that Mr Webster indicated, so we are up to stage 4 of the guidelines. We are currently working our way through that. But in terms of exactly the modelling we have done and what we have not, I would need to take that on notice.

The CHAIR — Thanks, Mr Martine. Just one final question from me: has the department received any advice or feedback from Infrastructure Australia on the western distributor?

Mr WEBSTER — The department has been discussing the western distributor case with Infrastructure Australia. Infrastructure Australia has fed a number of questions back to government, and we have responded to them.

The CHAIR — How would you categorise the current state of the discussions with Infrastructure Australia with regard to the western distributor?

Mr WEBSTER — We have had positive dialogue with Infrastructure Australia on addressing their questions on the business case.

The CHAIR — So they have come to you with questions and you have responded to those questions, or are you in the progress of — —

Mr WEBSTER — Yes, my understanding is we have responded to all of their questions.

The CHAIR — So effectively the ball is in Infrastructure Australia's court.

Mr WEBSTER — That is my understanding.

Mr MARTINE — Yes.

Ms HARTLAND — Back to Transurban, can you tell me when the department first received the unsolicited proposal for the western distributor from Transurban?

Mr WEBSTER — I will need to take that on notice. I do not have the date at my fingertips.

Ms HARTLAND — Can you tell us roughly what month and year?

Mr WEBSTER — Can I take that on notice? I would not like to guess and potentially mislead.

Ms HARTLAND — My follow-up question from that — and I think it is unfortunate that I cannot be told that — is: clearly this has moved very quickly to a stage 4 project. When you talked about consultation, I have attended a number of those sessions. They are not consultation; they are information sessions. How has the government moved from that initial unsolicited proposal to being, as you have said today, stage 4 in what appears to be a very short amount of time?

Mr WEBSTER — I think we have followed all of the guidelines and processes as outlined in the market-led proposal guidance. The state has published a business case, which is a quasi-public sector comparator in terms of how the state would do the project and the need for the project in the absence of a Transurban market-led proposal. So I think in terms of the steps it has been entirely appropriate.

Ms HARTLAND — It has been very rapid.

Mr WEBSTER — In terms of — —

Ms HARTLAND — I live there; I go to these sessions. It appears that all of this has happened over what is less than a year. Is that the usual pace at which these projects go?

Mr WEBSTER — In terms of a market-led proposal, clearly when Transurban approached government initially they had spent some time in terms of what their proposal looked like. They probably came to government with a proposal that had had a substantial amount of time on their side before they approached government in the first place.

Ms HARTLAND — So there is a two-tiered process to this. Can we have information about when the actual first proposal happened and when the unsolicited proposal actually came? Regarding the issue about the long and short tunnel, can you tell us what the difference in cost between those two proposals is?

Mr WEBSTER — That is commercial-in-confidence subject to negotiations, subject to further due diligence.

Ms HARTLAND — So that would be something else I would have to attempt to get on FOI and take to VCAT before I could get that basic information for my local community.

Mr WEBSTER — I am sorry; I cannot advise you on that.

Ms HARTLAND — So information and transparency are not of any great concern to your department or the government.

Mr MARTINE — As Mr Webster indicated, these are matters that ultimately will be commercial negotiations with Transurban, and all we can do here today is take on notice a question that may in fact impact

on those negotiations and get back to the committee in an appropriate way, but we need to be careful about some information which is commercial-in-confidence.

Ms HARTLAND — So regarding actually informing local communities about the long tunnel that could have less impact on them and the cost of that in comparison to the short tunnel, is it going to be the cheap option or the option that actually gives more protection to the local community? I think the local community has a right to those numbers.

Mr MARTINE — Ultimately at an appropriate time the government will make a decision on whether to proceed with Transurban and also the design — whether it is a short or long tunnel — and the government will then explain and justify the decisions, and between now and then there is consultation.

Ms HARTLAND — There is not consultation; there are information sessions. I do not think the government should use the word ‘consultation’, because that is not what is happening. The government have already said they will commit \$1.46 billion over the forward estimates for the western distributor. How has that figure been come to if the final negotiations have not occurred and there is not even a decision as to whether this is going to happen, whether it is going to be the short or long tunnel, whether it is going to be the overhead bridges et cetera?

Mr WEBSTER — Obviously there are a number of value levers that can be put into the transaction in terms of setting tolling levels, how long the concession is extended for et cetera et cetera. So the mechanics of how the financing of the initial construction cost is done is subject to looking at those different funding levers, including state government funding.

Mr MARTINE — None of that is unusual at all. So when the government of the day makes a decision about a major infrastructure project we endeavour to put our best estimate at that point in time into the budget and forward estimates, and then as we progress through a process which might be going out to tender those estimates will then continually be revised.

Ms HARTLAND — Currently it appears that the only people that the government are negotiating with are Transurban, so how can we know that that is value for money when there appears at this stage to only be one proponent?

Mr WEBSTER — The market-led proposal guidelines set out the process very transparently in terms of how government will approach sole-source negotiations with entities such as Transurban. The level of future disclosure and transparency in terms of what sits behind that is a matter for future government.

Ms HARTLAND — But most things that are actually important will be labelled under commercial confidentiality and the community will not actually know what has occurred.

Mr WEBSTER — In terms of the other major projects which government proceeds with, I think you will find there is a similar level of commercial in confidence around ongoing negotiations in terms of major hospitals, other major transport projects et cetera et cetera. So I do not think that there is a material difference in the commercial sensitivity here versus other major infrastructure projects that the government pursues.

Ms HARTLAND — So that is acceptable?

The CHAIR — Sorry, Ms Hartland. I am just looking at the time, and I know we have another witness to move on to. Maybe if we have further questions, we might be able to provide them in writing to the witnesses, Ms Hartland.

Ms HARTLAND — That would be fine. I doubt that they will be answered, but I am happy to supply those.

The CHAIR — Thanks, Ms Hartland. Thank you, gentlemen, for your attendance here today. I will just remind you that you will be provided with transcripts of the evidence that you provided today for proofreading, and that evidence will be ultimately made available on the committee’s website. I thank you once again for your attendance, and I close our hearing.

Witnesses withdrew.