

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 12 May 2014

Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr D. Hodgett, Minister for Ports,

Mr D. Yates, Secretary,

Ms S. Eddy, Deputy Secretary, Finance,

Mr G. Liddle, Deputy Secretary, Transport, and

Mr M. Curry, Executive Director, Freight Logistics and Marine, Department of Transport, Planning and Local Infrastructure.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open estimates hearing no. 5 for 2014, on the ports portfolio. I welcome the minister, the Honourable David Hodggett, and from the Department of Transport, Planning and Local Infrastructure, the Secretary, Mr Dean Yates; the Deputy Secretary, Finance, Ms Sue Eddy; and Deputy Secretary, Transport, Mr Gary Liddle. Mr Mark Curry, the Executive Director, Freight Logistics and Marine, is also with us, and there are officers in the gallery who I will acknowledge if they are called.

A note of advice: this hearing, as are all the hearings in 2014, is being webcast on the Parliament's website. In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Departmental officers may approach the table during the hearing to provide information to the minister or other witnesses if requested, by my leave. Written communication to witnesses can only be provided via officers of the committee secretariat. Members of the media are requested to observe the guidelines for filming or recording of proceedings in the Legislative Council Committee Room. Cameras should remain focused only on the person speaking. Operators should not pan the public gallery, the committee or witnesses. Filming and recording must cease immediately at the completion of the hearing.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing are not protected by parliamentary privilege, including any comments made on social media from the hearing itself. The committee does not require witnesses to be sworn, but I remind you all that questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for fact verification within two working days of this hearing. Unverified transcripts and the PowerPoint presentations will be placed on the committee's website as soon as they become available. The unverified transcripts will be replaced by verified transcripts within five days of their receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally the procedure to be followed will be that relating to question time in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both these matters; however, I do request that you answer each question as succinctly as is reasonable, recognising that sometimes these issues include a degree of complexity.

I ask that all mobile phones in the room be turned to silent or to off, and I invite the minister to make a brief presentation of no more than 10 minutes on the budget estimates for the ports portfolio. Welcome, Minister.

Overheads shown.

Mr HODGETT — Thank you, Chair, and to the committee, thanks very much for the opportunity to be here. I want to use the opportunity this afternoon to update the committee on some of the key investments in the ports portfolio. In particular I want to talk about the way we are leveraging port assets to fund transport infrastructure, and that certainly includes funding for the Port of Hastings expansion. There are four features in this year's ports budget. They are the lease of the Port of Melbourne; the allocation of \$58 million to a network of metropolitan intermodal terminals; a key plank in our Food to Asia program is the upgrade and gauge standardisation of some of Victoria's key rail freight lines; and \$25.7 million for boating infrastructure, local port access and marine pollution response equipment.

I will begin with the lease of the Port of Melbourne because it is the most significant announcement in the budget from a ports perspective. The committee would be aware that we undertook a scoping study. The commercial advice we have received from that port scoping study has recommended a medium-term lease of the Port of Melbourne as the most effective way to generate a significant commercial return, so that is the intention of the government; that is what we will be doing.

The Port of Hastings expansion is a considerable investment not just in the port infrastructure itself but in the transport links that service it, and the proceeds of the lease will ensure that we can meet our construction timetable. The timing of the sale means that we also benefit from the commonwealth's new asset recycling initiative, which means we get a commonwealth contribution on top of the proceeds of the sale, so taking

advantage of that has very much influenced the decision as well. We expect to initiate the lease process with an EOI — expression of interest — process beginning sometime next year.

The budget contains \$58 million in funding for a metropolitan intermodal network. Melbourne has two metropolitan terminals connected to the network, and a third at Dandenong South is expected to be connected and developed under the funding provided. There has been a lot of interest among private operators in using rail to move containers to and from the port, and this investment is designed to bring metropolitan rail shuttles to fruition. We have got a commitment to get more freight onto rail, and that certainly will be delivered as part of this budget. That will play a key role in the operation of the expanded Port of Hastings. I want to stress for the committee that this is not a top-down approach that the government is imposing; it is actually a response to the interest and commitment shown by a number of private sector rail operators in conducting a commercially viable business.

We export in excess of \$3 billion worth of food products and mineral resources annually from the Murray Basin, making it one of the nation's leading food production regions. It is a critical part of our Food to Asia strategy, and that is why we will be making an investment of up to \$220 million in converting the broad gauge tracks to standard gauge. The first stage of the Murray Basin rail project will see an immediate \$41 million cash injection to upgrade the Mildura to Maryborough and Hopetoun to Murtoa rail lines while the business case for the full standardisation is finalised. Standardisation will upgrade these lines to 21-tonne axle loading, providing an immediate 15 per cent productivity improvement that will increase train loads by 300 to 400 tonnes. The final cost and alignment of the full Mildura to Geelong rail standardisation will be guided by the final business case to be delivered by the end of the year.

As well as helping to get the food to export markets, this project paves the way for potential future creation of a new transcontinental link near Broken Hill, connecting to the Sydney–Perth rail line. Such an alignment would enable double stacking of containers between Melbourne and Perth, which we cannot currently do because of rail tunnels in the Adelaide hills. Importantly, this is a project that delivers a huge productivity boost to Victoria. Victorian farmers and transport operators have been asking for many years to rid the state's rail network of this historical anomaly, and this government will deliver on that.

We will also continue the highly successful mode shift incentive scheme, with ongoing funding of \$20 million to promote the movement of containers from regional Victoria to the Port of Melbourne by rail. The mode shift incentive scheme was designed to establish market-based incentives for freight forwarders to opt for rail over road transport. Victoria is Australia's biggest exporter of agricultural produce, and with the increasing containerisation of these exports, it is important to maintain a viable regional rail network that can get this type of freight quickly and efficiently to port. So \$20 million will fund the program over the next four years.

If I can move on to the boating safety and facilities program, I am pleased that this budget commits an extra \$3 million for the boating safety and facilities program, increasing the total funding to \$8 million annually, which is a huge boost to Victoria's boating industry. It will allow local councils and agencies and community groups to undertake those very important projects, such as upgrades to jetties and boat ramps, as well as deliver navigational aids, signage and assistance for search and rescue groups.

The funding and maintenance of these facilities complements the establishment of the Recreational Boating Working Group, which was recently formed to identify ways to improve Victoria's boating infrastructure. That group will work alongside other stakeholders, and together they will play a key role in identifying projects to be funded out of the BSFP.

That one there on the slide is the upgrade of the Inverloch jetty, which cost some \$487 000, with a contribution of \$212 000 from the BSFP. The program also funded the upgrade of the boat ramp in Kananook Creek and the recently announced new jetty at Cowes. It has also supported the St Kilda pier upgrade, where a \$3.49 million investment has upgraded the jetty arm and enabled other important maintenance. I have to say that I have had direct feedback from yacht owners down at St Kilda pier, and they are absolutely delighted at the upgrade to the St Kilda pier.

On average there are 40 million visits to local ports in Port Phillip and Western Port alone, such is the appeal of the Victorian coastline. So as well as the BSFP, I am also pleased that this budget commits funding of \$10.3 million over four years for dredging and maintenance of local ports.

The next slide talks about the budget, including \$3.4 million for upgrade and replacement of Victoria's marine pollution equipment. Again, I just make the point that our coastline and marine environment is very important to the state as a valued asset, so it is great to be investing in that.

If I can skip forward — I do not know how we are going for time — to early works on the Port of Hastings, I just want to use the opportunity to update the committee on progress of the state's two major port projects. We are committed to Hastings because, if we are serious about preserving our export industry, serious about our manufacturing industry and serious about an efficient freight and logistics centre, then we need to ensure that our international gateways are in the best shape possible. That is why the state has opted for Hastings over other alternatives, such as the prospective one that is mentioned in Bay West.

The next slide quickly compares Hastings and Bay West. The simple answer, in summary, is that Bay West simply does not stack up. Hastings is an actual location; Bay West is not. Hastings is actually a working port and has a number of ship movements to and from it each year, so it is a working port at the moment. It is a natural deepwater port. We believe we can get Hastings operational within 15 years, and that will be as the Port of Melbourne starts to max out. Most importantly, Hastings avoids the need for another round of dredging in the bay. Bay West would need significant dredging, potentially three or four times the amount of dredging that took place under channel deepening, whereas Hastings is that natural deepwater port and will not require the same degree of dredging. We think we can deliver Hastings for less than \$10 billion. We cannot do that with the Bay West option. Hastings is realistic and deliverable, and that is why we are supporting that.

Mr PAKULA — What a balanced presentation.

Mr HODGETT — It is a great presentation. Thank you, Mr Pakula. A lot of work went into it. Just to revisit the dredging issue, briefly the next slide shows the relative size of the channel deepening project versus potential dredging of the bay for an established port. You can see there that the sheer magnitude of potential dredging is huge; some might say it is an insurmountable obstacle.

The second project I will mention is the \$1.6 billion Port Capacity Project at Webb Dock. That is well under way. The auto trade will relocate to a new purpose-built facility at Webb Dock West, allowing the creation of a new international container terminal, Webb Dock East. I think it was just under a fortnight ago that I announced the successful tenderer to operate the new terminal. Construction of Webb Dock has now been complemented by the expansion of Swanson Dock. At Swanson Dock the two stevedores there will expand their existing facilities to develop their capacity to nearly double the container input.

The next slide is just a quick summary, as I finish up. To cater for over 2 million containers of extra trade in the coming decade, those four projects will help handle the bigger transport task. I have mentioned the port rail shuttles that will be important to take up some of that extra demand. To cater for the growing road task, the Port Capacity Project will include extra ramps onto the West Gate Freeway so that trucks servicing the auto and container trade at Webb Dock have a direct link into the freight network.

Tullamarine of course provides an important link to the port, and it provides access to markets for manufactured exports from the city's industrial north as well as commodity exports from the state's rural producers, so its widening will be a boon for regional producers. The biggest boost yet to port access of course will be the east-west link. As well as providing a direct link to the port, it will also provide an important alternative to the West Gate Bridge and remove a good deal of truck traffic from the inner west.

In summary, Chair and committee, I think you will agree it is a remarkable budget. It delivers on a number of key road and rail projects that directly improve the efficiency of the Port of Melbourne, and perhaps most significantly it is a budget that provides a funding mechanism for our investment in the expansion of the Port of Hastings. It is a budget that will be remembered for a long, long time to come. I am proud to be part of it, as I know you all are. Thank you for the opportunity to make a presentation.

The CHAIR — Thank you, Minister. We now have until 2.13 p.m. for questions, and I will kick off. Would you outline to the committee the budget initiatives in this portfolio? You covered some of that in your opening presentation, but would you outline the budget initiatives in this portfolio which will contribute to the growth of Victorian jobs, both in the coming year and over the forward estimates period.

Mr HODGETT — Thank you, Chair. As I outlined in my presentation, the coalition government is committed to investing in infrastructure. There is evidence in this year's budget; it is an infrastructure budget, as well as providing money for a number of services. There are a number of very significant proposals. In terms of my ports portfolio specifically, the two very important projects that I have mentioned which have ongoing funding in this budget are covered in budget paper 4, I think it is. Can I just precede that by saying the freight and logistics sector is extremely fundamental to our economy. I think the estimates provided say that it contributes somewhere between \$19 billion and \$23 billion to Victoria's GSP — gross state product. It is an absolute priority of this government to ensure Victoria remains the freight and logistics capital of Australia. We have that title. It is very competitive; there is a bit of competition from a number of other ports.

The Port of Melbourne Port Capacity Project — the \$1.6 billion project that I mentioned — will expand the capacity of the Port of Melbourne and give us capacity that, depending on trade forecasts, will take us through the mid to late-2020s. The Port of Melbourne last year handled 2.5 to 2.6 million TEUs or containers — 20-foot equivalent units — per annum. It is expected with port capacity that that will get up to around 5, maybe 5.1 or maybe 5.5, again depending on estimates. Not higher than that, although some people might think you could get more capacity than that. Importantly the port capacity from that project alone will deliver 3000 jobs — 1100 direct new jobs and 1900 indirect jobs — so it will be a significant boost to employment in Victoria. In fact this year it will be the biggest waterfront project in the southern hemisphere, with the works that are going on there over the next 12 to 18 months.

We are establishing a third international terminal there that will handle the more than double the forecasted containers that the Port of Melbourne does now. More jobs will be created, and it will certainly stimulate greater economic growth in the state. I move on to the development of Hastings as our second international container port. It is important that we maintain that capacity to keep us at the forefront of freight and logistics, and Hastings as a second international container port is expected to literally create thousands and thousands of additional jobs. They will be complemented by jobs created with the operation of the port but also the associated transport logistics hubs. So it will facilitate very strong economic growth, not just for the state, but it will also benefit that south-east region — the Gippsland region and the eastern and south-eastern suburbs of Melbourne. To coin a phrase, it is a game-changing, visionary, transformational infrastructure project.

Mr PAKULA — I do not think you coined it, Minister.

Mr HODGETT — No.

Mr PAKULA — You told the committee during your presentation, and backed it up with graphics, about the dredging that you say is required for Bay West, but you did not talk about the dredging that may be required at the Port of Hastings. I was wondering if you could outline the expected amount of dredging required at Hastings to expand the port there, and any long-term effects that might have on the local environment of Hastings.

Mr HODGETT — Certainly, Mr Pakula. Thank you for the question. We put \$110 million into last year's budget for the Port of Hastings, which is much about planning and development work — environmental planning, transport planning and business case planning. I think to date we have announced any number of studies and plans down there, because that project will have to meet the full round of state and federal environmental approvals. Until you do that planning and determine where the port is actually going to be, you are only guessing at how much dredging there will be. There will be dredging there, but the advice to me is wherever the port is constructed at Hastings it will require nowhere near the amount that would be required for an additional shipping channel across to an option at Point Wilson, or Bay West as it has been described.

We will know as we get closer and closer, but the early information I have is that most of the water depths in around Hastings are 16 metres, 18 metres or 20 metres. The location of the port will determine how much dredging will be needed, but it will be nowhere near the amount for Bay West, which I am told could be up to four times the cubic metre capacity of the recent channel deepening project. We will know that as we move further into the planning, Mr Pakula, as we get towards the completion of these plans and build a business case for construction.

Mr PAKULA — Just to follow up, Minister, I want to read to you from a document that has been provided to me and tell me if any of this rings a bell. You have described Hastings as having deepwater access, but whilst

that is true for the approach channel south of Long Island Point, the proposed port itself is in much shallower waters and will require significant dredging — maybe not significantly less than required in Port Phillip. Most of the approach channel is relatively deep. You said 16 metres. But from Long Island Point northwards, Western Port actually becomes much shallower with water depths ranging from 10 metres down to 6 metres, and given that the majority of the port will be constructed in that area, significant dredging will be required to construct deep accesses, berths and a turning area, with perhaps up to 50 million cubic metres of dredging being required in that part of the bay. Can you tell me whether that is consistent with the advice you received?

Mr HODGETT — Can I bring up slide 14 again? I want to make no mistake about it. In terms of the dredging of Hastings versus Bay West, this is a comparison between the channel deepening project and Bay West. It is a great visual to show how much would be there. In answer to your question in relation to Hastings, I will go back to my previous answer. We have got \$110 million in last year's budget that is guiding us on decision-making and planning. If we had preconceived ideas of where we were going to put a port, we would know exactly what dredging may or may not be required, but we need to go through that process to determine it. The advice to date is that any dredging where you put a port at Hastings will be nowhere near the dredging that would be required for an additional shipping lane at Bay West.

Mr PAKULA — But you are not prepared to contest what I have just put to you?

Mr ANGUS — You have had your question.

The CHAIR — Order!

Mr HODGETT — I do not accept what you have put to us because we have not made a decision where the port will be.

Mr PAKULA — Tell me which bits are — —

The CHAIR — Order! There has been a supplementary. The minister can conclude his answer and then we will move to Mr Angus.

Mr HODGETT — Can I also say that certainly the advice given to us is that the ships of the future are going to be longer, they are going to be deeper and they are going to be a lot wider. When we talk about options for a future international container port we also have to take that into consideration. To build anything within the bay you would need to blast and deepen the heads. That gives me enormous environmental concern. If the heads are deeper and wider, the tides are on and off longer and you would need dredging. Ships can access Melbourne now at a 14-metre draught. They tell me 14.5 metres on tides but shipping companies like certainty; they do not like relying on tides. The ships of the future will be a 16-metre draught so you would need to dredge there. As I said, with any shipping lane across to a Point Wilson or Bay West option a 16-metre draught would require significant dredging. If anyone has any concern regarding environmental credentials, I think that answers itself.

The final point I would make is: do not take my word for it; do not take the opposition's policy for it. Look at Stephen Bradford, who was a former CEO of the Port of Melbourne. He served for 10 years. He was appointed under your government and served under our government. He is a great guy, very knowledgeable and I have enormous respect for Stephen. He has no barrow to push and in an outgoing interview with Lloyds, List Stephen made the point that Bay West just does not stack up. Shipping companies do not consider any option for a future port inside the bay; Hastings is the only option that will deliver. In fact my good friend, Tim Pallas, when he was ports minister in the previous government, was a ringing endorsement for Hastings and part of his reason was that it would require much less dredging, along with everything else I mentioned about the advantages of Hastings.

Mr ANGUS — Minister, I refer you to budget paper 4, pages 107 and 108, and also following on from the Chair's initial question, can you further explain to the committee how the government is working to make sure that Victoria remains the freight and logistics capital of Australia?

Mr HODGETT — Thank you for the question. As I have already mentioned, freight and logistics is a key driver of the Victorian economy, contributing somewhere between 19 billion and 23 billion to Victoria's gross state product — a very important key driver. I go back to my statement that the government is absolutely

committed to ensuring that Victoria will retain the title of freight and logistics capital of Australia, and that is certainly apparent in this year's budget.

Funding the \$1.6 billion Port Capacity Project is included in this year's budget. The project will ensure that the Port of Melbourne in the short to medium term can handle that increased forecast container trade. As I mentioned before, I think we did 2.6 million TEUs — containers, boxes, whatever you want to call them — last year and again, depending on trade forecasts, we will get up to 5, 5.1, 5.5 in the mid to late-2020s, so the Port of Melbourne actually getting the additional capacity is very important.

At the same time funding continues for the rigorous planning and approvals process that I just went through, in answer to Mr Pakula's question, for the expansion of the Port of Hastings. Both of those projects are going to ensure that Victoria is able to maintain its position and retain the largest share of the nation's container trade. I think we have a 37 per cent market share of the container trade. It is important and it is very competitive. If you lose it to the port of Brisbane or if you lose it to Port Botany, you may never ever get it back. So it is important that we keep that trade, keep that title, and that Port Capacity Project giving us capacity until Hastings can come online, and then bringing Hastings online to be our next international container port should shore up our position and protect our title as the freight logistics capital.

Again, I just make the point that Hastings is a natural deepwater port. It has some 3500 hectares of land already zoned in and around it for port use. Former Premier Bolte reserved that some 40 to 50 years ago. If you ask my colleagues, 'What thinking are we doing now that will leave a legacy in 40 to 50 years time', I would suggest probably Matthew Guy's Plan Melbourne and thinking about where a third airport would be is some of that thinking. It gives us a huge advantage to bring Hastings in on that land and reserve there and I think that, to answer your question, will maintain our title as the freight and logistics capital.

Mr SCOTT — Minister, could I ask you to turn to budget paper 2, page 35? There is a reference there that states:

The development of the Port of Hastings as the state's second container port further increases the need for additional cross-city freight and transport infrastructure.

What is the projected cost of a rail link between the city of Melbourne and Dandenong and Dandenong to Hastings, so right through to Hastings?

Mr HODGETT — Your question in relation to transport is probably best directed to Minister Mulder, who I think will be before the committee later this week. He is the coordinating minister.

Mr SCOTT — We have the secretary here.

The CHAIR — No, we have the ports minister here, not the public transport minister.

Mr PAKULA — We have the secretary here, though.

The CHAIR — We have the ports minister here.

Mr HODGETT — Freight is important and conceivably there is a grey area where I talk about freight and logistics as opposed to port operations. I work very closely with Mr Mulder in that area, but I would suggest as coordinating minister for the department questions on the cost of rail lines would be best directed to Minister Mulder.

Mr SCOTT — On a point of order, Chair, we have heard at great length about the relative merits of the different port options. The cost of infrastructure to service one of those options is germane to judgements that we as a Parliament should make about their relative merits. Therefore the cost of a port — —

Mr ONDARCHIE — What is the point of order?

Mr SCOTT — I am disagreeing. It is within the minister's purview.

The CHAIR — I have already informally ruled and I will now formally rule that we are here to ask questions of the Minister for Ports. The matter you have raised is a matter within the portfolio of the Minister for Public Transport. When he is before the committee then it is appropriate to direct that question. I do not in

any way disagree with your point that it is important that the Parliament is aware of the whole package, but we need to address the question to the appropriate minister, and that minister is Minister Mulder.

Mr SCOTT — With all due respect — —

The CHAIR — I have ruled.

Mr PAKULA — On a separate point of order, Chair, the minister, during his presentation, went into some detail about the intermodal hubs that he is proposing to build or extend, all of which are directly germane to the matter of rail freight into and out of the Port of Melbourne. They are within his portfolio responsibilities. Is it the minister's evidence that rail freight in and out of the Port of Melbourne is his responsibility but rail freight in and out of the Port of Hastings is not?

Mr O'BRIEN — On the point of order, the minister when the question was first asked indicated that there is a relationship between freight rail and ports. He has simply said that as a matter of appropriateness as to which minister should be the one receiving portfolio questions from this committee, which will be hearing from the Minister for Public Transport, questions related to rail freight are best answered by that minister — not that there was no correlation.

Mr HODGETT — Chair, I am happy to make a couple of comments if it will assist the committee.

The CHAIR — I will rule on the specific point of order and then, Minister, you may wish to make some comments. I am not going to ask any minister to make comments on portfolio matters that are outside their portfolio. The general order makes it very clear that Minister Hodgett is the Minister for Ports and that Minister Mulder is responsible for the rail side of it. That is the general order that clearly defines ministerial responsibility within a particular portfolio. I am not going to start asking ministers to comment on matters outside that area for which they have responsibility. Minister Hodgett, would you like to make any further comment?

Mr HODGETT — I can understand Mr Pakula's confusion. We have the same debates. When does a road become a port responsibility and when does it become that of the roads minister? It is the same with rail. I would simply say that in terms of the cost you would need to talk to Minister Mulder. In terms of access to a port, it is important that at the moment we are doing the early work to reserve the land in the corridor. Much of the planning will guide us on that. The other comment I would make is that we are not going to build a modern state-of-the-art international port without good rail and road access. I do not even know if we would have an estimate on the cost at the moment, but I would respectfully suggest that Minister Mulder would be able to shed greater detail or light on that. The early work is that we need to make provision for road and rail. We need to go through the early planning of that stage, and that is what we are doing. I do not know if that assists or not.

Mr O'BRIEN — Thank you, Minister. I would like to refer you to budget paper 3, page 58, and to your presentation where you mentioned the boating safety and facilities program, which is clearly within your portfolio responsibilities, and I ask: how will you determine what projects are funded to improve access to coastal and inland waterways for both recreational and commercial users?

Mr HODGETT — The boating safety and facilities program is a great program and a significant program. It has been funded at a level of about \$5 million since it came into effect. We worked very hard this year to get additional funding in that and to work out a better way to more strategically identify projects and allocate projects. There are a number of different needs out there, so we need to work out, as a state government, in funding a lot of those initiatives how we go about making boating more safe and more accessible for all Victorians. As I said, it has been funded at \$5 million per annum since its inception in 2001, so I am just over the moon and absolutely delighted to have been able to secure that additional 60 per cent increase in the total funding pool. The annual allocation now will be \$8 million commencing in the 2014–15 years.

I mentioned a number of projects that have come out of that before. Again I will make the point in relation to the St Kilda Pier upgrade that the yacht owners are just thrilled to bits with that down there. I have had direct feedback on that one. As we move in and around the state on a number of these different projects the feedback is terrific, because that fishing and boating industry is worth so much to the Victorian economy.

It has traditionally been solely a grants-based program, with funding allocated to community groups based on an application, so the challenge has really been getting out there, making people aware of the program and getting them to apply. It has been divided up into four categories, which are boating infrastructure, education and training, search and rescue and aids to navigation. Independent funding assessment panels have been established for the boating infrastructure, search and rescue and aids to navigation categories to assess all applications for funding. They recommend funding from these panels, and they are submitted to me as the Minister for Ports for consideration. Once that program is approved, the grant applicants are advised of the outcome of the funding, and funding agreements are established with successful recipients and projects then of course commence.

The 2013–14 round funded projects such as the renewal of the boat ramp at Half Moon Bay, Black Rock. I was down there with Murray Thompson, the member for Sandringham. That was a great project. The purchase of a new coastguard vessel at Lake Eppalock and the construction of the new jetty at Cowes were also funded. Again, I was down there with the member for Bass for that one in that great part of the world.

The recreational boating sector is significant in Victoria. The statistics that have been provided to me for the end of 2012–13 revealed that there are 186 000 registered vessels and 277 000 licensed recreational boat operators in Victoria, so they are significant figures. It is a real interest here in the state. The demand for recreational boating infrastructure has increased significantly in recent times, and in recognition of this we need to invest additional money into those facilities. In recognition of that, as Minister for Ports, I hosted a recreational boating round table in November of last year. We had representatives from a range of stakeholders — the BIA Victoria, VRFish, the MAV and coastal boards — and the outcomes of the round table produced some common themes and indicated there was more work to be done in the provision and improvement of boating infrastructure across the state. People had a lot to say about that.

In light of that, I agreed to establish a working group on recreational boating, and the first meeting was actually held last month, in April. The working group is going to provide strong strategic direction and viewpoints on where we should be allocating that money, and whilst as minister I am still considering how the BSFP should proceed with that additional funding, it would be my intention that there will be a mixture of community-applied grants projects and some discretionary funds for projects that are determined with the input of the working group that will guide us much better on how to use that money, how to allocate that money, as opposed to a direct grants-based process. I hope that answers your question.

Ms GARRETT — Probing further into this issue, Minister, and noting the significance of recreational boating to Victorians, how much is your government collecting through licences, vessel registration fees and the registered boating operators licence, and what percentage of this is now being reinvested in recreational boating initiatives?

Mr HODGETT — Thanks, Ms Garrett. I might ask if slide 9 can get back up just while I am talking. Ms Garrett, Victorians pay vessel registration and boating licence fees set through regulations made under the Marine Safety Act 2010. In 2012–13 a bit over 11 million was collected in registration fees and a bit over \$16 million in licensing fees, so a total collection of around 27 million. This revenue is derived from, as I said before, those 170 000 registered vessels and about 277 000 current licences.

The Marine Safety Act 2010 regulations require that funds collected through registration fees must be returned by government to the benefit of the sector. That does not apply to the licence revenue; it only applies to the other amount mentioned. The government actually fulfils that requirement. In the 2014–15 budget the government is making a significant investment by increasing that boating safety facilities grants program from \$5 million to \$8 million a year. In addition to the \$8 million for the BSFP grants program, a number of ongoing allocations directly benefiting boating facilities and safety are made out of that. That includes, I think, some \$650 000 provided to the water police out of that, and \$15.7 million is provided through the local ports program to fund activities at Victoria's 14 local ports. That includes dredging, waterway management, slipways, boatyards and berthing maintenance activities. The activities of the marine safety regulator, Transport Safety Victoria — TSV — are also funded through the budget, which clearly relates to boating facilities and safety.

The cost of collecting the registration charges of \$1.3 million in 2012–13 also needs to be covered. Taking all these payments into account, the government in fact allocates significantly more than that \$11.3 million — I

think it is a bit over \$11 million — in collected registration fees to support activities that are clearly related to boating safety and facilities. I hope that answers your question.

There is a common mistake, if you like, or misapprehension that those fees should go directly back into a BSFP program, but what I explain is — and when I set up that boating working round table people understood — that there are number of other things funded out of that, such as TSV, such as water police and such as the local ports program, so they all collectively add up. Having said that though, it gives me no greater delight than to have fought hard to receive additional money directly into the BSFP program. I will continue to wear that hat each year as I jostle with the Treasurer, because my view would be to put significantly more funds in BSFP because it delivers some fantastic projects. The reason I brought that slide up is you can look around the bay, around the state, and there are some great projects that get funded out of that program.

Ms GARRETT — On a supplementary, whether we are engaged in a process of semantics or not, it does appear that there is a significant amount of revenue the government is collecting from fees paid by the boating public and not all of that is going back into these programs. But moving on, I think it would be very helpful to the committee if you could provide a geographic breakdown of the spending of these programs across the state. I note you have highlighted some, I assume, projects you are particularly proud of there, but do you have the details of which electorates and which areas in the state this program has mainly been poured into? If not, I will take it on notice, but I assume you do.

Mr HODGETT — I would not know by electorate, Ms Garrett, because I do not allocate the funds by electorate. They are allocated to good programs or grants that have been received. Remember I said before it is a grants-based program, so it depends on what grants were received in and around the state. I would be more than happy to get you the details of ones out of that.

The other point I should make is that since this program's inception in 2001 there has been a static \$5 million figure in that. This is the first time since the program commenced in 2001 that we have put additional money into it. That is why I am enormously proud of being able to boost that up, given the need out there. The final point I will make is about the establishment of that boating working group, or reference group, that came out of the boating round table. I think having broad representation across industry, yachting, fishing, BIA et cetera will give us some good well-rounded advice (a) to still have a grants-based program but (b) to identify some real priorities that are to be targeted in and around the state, such as boat ramps and those sorts of things.

In terms of the actual detail, I know the Chair would pull me up because this great news would take much, much longer than 4 minutes, but I would be happy to furnish the committee with the details for the last year.

Mr ONDARCHIE — Minister, I refer you to budget paper 4, page 48, but in particular your slides. Could you outline to the estimates committee the pressures on the existing port capacity and what the government are doing to ensure that Victoria can handle increasing container trade?

Mr HODGETT — In reference to budget paper 4 that you mentioned, and the particular page you referenced, I think the budget funds that western section of the east–west link — is that the one you were referring to?

Mr ONDARCHIE — Budget paper 4, page 48.

Mr HODGETT — Page 48?

Mr ONDARCHIE — Yes; that is the one I am referring to. I am just wondering what action we are taking as a government to ensure that we can handle the existing container trade — the increasing container trade.

Mr HODGETT — The two things I have mentioned today, which I will go back over if you like, in terms of port capacity — —

Mr ONDARCHIE — What we are doing to handle increasing container trade.

Mr HODGETT — There are two issues that the Port of Melbourne faces: access and capacity. In answer to an earlier question by Mr Pakula, access in the future for ships is going to be a problem. In terms of the other issue — capacity — the Port of Melbourne will max out. When we came to government people were basically beating down the door saying, 'Can you do something about capacity?'. That had not been done for a number of

years. Otherwise we were going to max out the container trade. As I said before, we have 37 per cent market share of containerised trade. If you lose that trade, you never get it back — or it is very difficult to get back — so it would be devastating to the state of Victoria, our economy, jobs and investment if we lost that trade to other ports on the eastern coast of Australia.

One of the first things we did is the \$1.6 billion Port of Melbourne Port Capacity Project, with works down there to Webb Dock and the car terminal at Webb Dock East and Webb Dock West and additional work at Swanson Dock and Appleton Dock. That is basically going to give us extra capacity for 1 million or a bit over 1 million. Once that project is finished, the total capacity for the Port of Melbourne is around 5 million or maybe 5.1; it depends on who you talk to. In my presentation I talked about having port rail shuttles in and out. That is something we are working on with Minister Mulder. That will help capacity there, so we could get up to about 5.5 million, but then Melbourne will be at capacity.

Again, depending on trade forecasts that could get us through to the mid-to-late 2020s. The next step is the \$110 million in last year's state budget to fast-track the development of the Port of Hastings as our second international container port. We would expect Hastings to be able to handle — and again we are in the early planning stages, so it is difficult to put exact figures on it — a minimum of about 9 million TEU. Without going over it, Hastings has all the natural advantages we require to be able to bring that online, so we would expect that as Melbourne reaches capacity — and the Port of Melbourne will be around for a long, long time — we will bring Hastings on, and that will secure us as the freight logistics capital of Australia. But there is a lot of work to do in and around down there.

Mr ONDARCHIE — The risk being that if we do not, we are going to lose potentially — —

Mr HODGETT — Again, one of the first things the previous Minister for Ports did after we came to office was to establish the Port of Hastings Development Authority. Bolte had reserved the land in the 1960s in and around there. It had been talked about in Hastings for a long time. Now as a government we are getting on and doing it. The risk is that if you lose capacity to other states, you lose jobs and you lose investment; it is just vital for the prosperity of our state.

As I said before, it would be great for links to Gippsland, the south-east and that part of Melbourne which is not necessarily as well serviced by the Port of Melbourne at the moment.

Mr PAKULA — I wonder if we can get the Murray Basin rail project slide back on the screen for a moment.

Mr HODGETT — From memory I think it is slide 5.

Mr PAKULA — I want to talk about this Hastings-Bay West conundrum in light of that. During this hearing we have heard from you that you are not yet sure exactly where at Hastings the port will be and therefore how much dredging would be required. You have told us that you do not think an estimate of the cost of a rail link to Hastings may have been done yet.

I think anyone who knows anything about freight knows that more and more bulk freight is going into containers all the time. If you look here, you have the preponderance of all this work now happening along the western side of the state — —

The CHAIR — Deputy Chair, you are going to make things very difficult for Hansard if you stand up there.

Mr PAKULA — I am happy to go back to my seat. Would you not agree, Minister, that your own Murray Basin rail project, given that all of it feeds into the western side of the bay, would tend to suggest that an additional container port on that side would fit in better with your own project than a port right over the other side of the bay?

Mr HODGETT — Not at all. You have to remember our integrated ports strategy and ports vision. There are four ports. Portland and Geelong are key strategic ports in terms of our vision for linking into rural and regional Victoria, particularly in the west, as you mentioned — timber, grain, mineral sands, any number of — both Portland and Geelong are going gangbusters at the moment. I think Portland is on track for a record year. Geelong is having its third consecutive record year. We have had significant investments in rail and upgrades to

our transport solutions program there. They service the west. The Port of Melbourne continues to service the west.

As I said before, the challenges for Melbourne in building a new international container port are ones of access and capacity. Already you have height restrictions under the West Gate Bridge. The swing basin in the Port of Melbourne is 300 metres long. The ships coming in there now are already 297 metres. Ships of the future will be 400 metres. Melbourne will be around for a while.

As I said at the outset, the advice we got from our scoping study is to enter into a medium-term lease for the Port of Melbourne. It could be for another 35 or 40 years, and we will continue to service the west. We are not closing the Port of Melbourne. It is an important asset that will continue to service.

I will not stand up and go over there because I do not want to upset Hansard, but the demographic centre of Melbourne is still in the south-east around Chadstone, Glen Eira and that sort of area. Albeit there is significant growth and building going on in the west, the demographic centre of Melbourne is still in the east, so Hastings, quite contrary to what you are saying, is in a great position to service the south-east and Gippsland to complement our overall ports strategy.

I should also mention that a lot of the advice given to me at the moment states that there are a lot of double truck movements out of the Port of Melbourne because the manufacturing hub is down in the south-east. You would know that, Mr Pakula, because of the demographic centre of Melbourne being where you represent. For a lot of the freight that comes out of Melbourne, a container gets put on a truck, is taken across the West Gate Bridge to a distribution centre in the west and is unpacked into other trucks. It then comes back across the bridge and is delivered out into the south-east. So these arguments would shoot down the proposition you put. Hastings is actually well placed to complement our ports network of Portland, Geelong and Melbourne to service all Victoria and keep us as the freight and logistics capital of Australia.

Mr PAKULA — Minister, that last point you made about the doubling handling to the south-east, is that not exactly what the intermodal hub at Dandenong South is designed to deal with it?

Mr HODGETT — Sorry?

Mr PAKULA — This double movement that you talk about, with things going on trucks down to the south-east, is that not exactly what your intermodal hub at Dandenong South is designed to deal with?

Mr HODGETT — Intermodal hubs will be designed to assist there. There are a number of different measures that we are taking as a government to deal with some of those inner west freight issues. Government is aware that the main roads in Melbourne's inner west are carrying a high volume of truck movements. In fact the figures before me say that Francis Street carries around 5200 trucks a day, Somerville Road is carrying around 1900 a day, Moore Street has 2100 and Buckley Street has 2600, and volumes will continue to increase as Swanson Dock increases its throughput from about 2 million to around 4 million — —

Mr PAKULA — I am talking about Dandenong South.

Mr HODGETT — Yes, but the overall initiatives of the metropolitan intermodal system will improve the efficiency of containerised movements from the ports to intermodal terminals, whether it be in the city's west, north or south-east. It is all designed to do the same thing, which will reduce the bottlenecks of traffic and traffic congestion around the port's precinct. That one in the south-east will reduce pressure in and around Hastings; the ones in the west and north will reduce pressure around Melbourne. The east-west link is going to be very important with access to the ports.

With the growing numbers of trucks and cars off local roads, if we can move them onto a freeway network, that is going to make our city a much cleaner, safer and more attractive place to live. We will be going for Melbourne as the most livable city for four years in a row. It is all a part of our integrated strategy.

That one that you are referring to in your area has the same objective as intermodal systems, whether they be in the north, in the west or in the south-east. It is important to get the port rail shuttles operating. We are committed to it. I said in my presentation that this is not a top-down approach that we are imposing. We are actually

reacting to a number of people in the market that want to see more freight on rail and to get the freight in and out of ports to these intermodal terminals and out to distribution centres. I think they will work well.

Mr ANGUS — Minister, I refer you again to budget paper 4, page 107. Following on from some of your earlier comments and indeed your presentation in relation to the Port of Hastings — and we can see the \$110 million allocated on page 107 of BP 4 — can you advise the committee of the reasons as to why the funding for the Port of Hastings is in fact necessary?

Mr HODGETT — I am just reminded that we cannot forget that we do build ports for ships, unlike what some people might think. The \$110 million — sorry, I will go back a step. We are realistic about our growing freight task, and it is forecast for this state that trade and growth and containers are going to continue to grow. The capacity of the Port of Melbourne is 5 million, maybe 5.5 at best, with improved efficiencies, as I have mentioned. The indication is that Victoria is going to need to handle well beyond 9, 10 or 11 million containers as we move towards 2050.

A second container port is a reality and a necessity. I go back to, I think, Mr Ondarchie's question about the risk to the state of not having this. So Hastings, as I have outlined, is an existing port. It is a natural deepwater port, first used by cargo vessels in the 1930s. It has been operating effectively as a liquid and break bulk commodities port ever since, in stark contrast to any potential sites anywhere else in the state or in Port Phillip Bay. There is no other operating port to the west of Port Phillip Bay. That money, as I said, was \$110 million in the budget for us to fast-track Hastings, to develop that additional port container at the new site.

I will go back to my points before. If you bring up those slides with the ticks and crosses, that is not me plucking those things out. Hastings has got reserved land; it is a natural deepwater port and would not require the dredging. It could take the biggest ships in the future. It will have great transport links in and out. All that money is going to continue to build up the environmental planning approvals, the transport planning recommendations, port location operations — exactly where do we put the waterside operations? We know Hastings is our preferred option, but we need guidance on exactly where the waterside operations would be.

I hope that answers your question. That is what the money is for and why it is important. We build ports for ships, Mr Angus.

The CHAIR — Thank you, Minister. That concludes the hearing for the ports portfolio. I think there is one question on notice: the boating facilities and safety program.

Mr HODGETT — Hand-deliver it.

The CHAIR — We will follow up with that question in writing, and we ask for a response within 21 days of receipt of our letter. I thank the secretary and the departmental staff for their attendance.

Witnesses withdrew.