

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 14 October 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

Mr James Purcell

Ms Harriet Shing

Ms Gayle Tierney

Staff

Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

Witnesses

Mr Bill Forwood, Secretariat, and

Ms Chanmali Tregambe, Senior Adviser, Regional Cities Victoria.

The CHAIR — I welcome Ms Chanmali Tregambe, senior adviser, and the Honourable Bill Forwood, secretariat, of Regional Cities Victoria.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide today is protected by parliamentary privilege. However, any comments made outside the precincts of the hearing may not be so protected. All evidence is being recorded by Hansard, and you will be provided with a proof version of the transcript in the next couple of days for any corrections.

I invite you to make a brief opening statement of no more than 5 minutes if you wish, and the committee will then proceed to questions. We thank you for your written submission.

Mr FORWOOD — Thank you, Chair. My name is Bill Forwood, and my colleague Chanmali Tregambe and I represent Regional Cities Victoria as its secretariat. I bring apologies firstly from our chair, Cr Neoh of the City of Warrnambool, who is otherwise engaged as a candidate in a by-election in western Victoria, so we thought it probably inappropriate for him to attend. He has in fact taken a leave of absence from his duties with Regional Cities Victoria. I also bring apologies from the deputy chair, Cr Dale Harriman of the City of Latrobe, who unfortunately has been detained in Gippsland with pressing council business.

Regional Cities has made a submission, which you have, but I thought I might just mention that Regional Cities was founded in the year 2000. It is a leadership group dedicated specifically to building a sustainable Victoria through regional growth. As an aside, I think its great success in the last 15 years has been its capacity to move away from the parochial interests of the 10 cities into taking a broader review of the wider regions in Victoria and speaking with one voice. The 10 cities, as many of you know — Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga — comprise not just geographically major parts of Victoria but provide real leadership to country and regional Victoria.

RCV is focused on achieving real change through policy development and the active implementation of those policies. We see ourselves as being in a very sound position to provide strategic advice, coordination and advocacy to both state and federal governments, particularly around supporting the regions to grow. As you are aware, nearly 800 000 people live in those 10 cities, a significant part of Victoria's population, and with Victoria's population continuing to grow at the rate of 100 000 a year the regions are growing as well. We expect there to be almost 1.1 million by 2030, a significant amount of Victoria's population.

Trade is crucial to us. Connectivity is equally important, and that connectivity is both physical and, of course, telecommunications as well. A lot of the work that we have been doing as a group, and us particularly as the secretariat, has been around freight, freight logistics and trade. We have had significant discussions with arms of government, both in the previous government and this current government, about the trade component of the work that occurs in regional Victoria.

We are not unaware of this issue. Regional Cities was briefed by the Treasurer, with an outline of the government's intentions in relation to this. We were also briefed by the Honourable David Davis on behalf of the coalition, who had some views, which he also expressed to Regional Cities about the coalition's attitude towards this. Further, at our December meeting we will be hearing from both the Minister for Ports, the Honourable Luke Donnellan, and the minister for trade, the Honourable Philip Dalidakis. We look forward very much to further engagement with government and the Parliament more broadly on this issue.

Let me say that our view very much is that the connectivity at a freight level is crucial for both the regions and the state and that part of the proceeds of any divestment in any way, shape or form of the port should flow particularly to the regions for the construction and maintenance of logistics infrastructure. We understand that there is a fund and, without being greedy, we would like to have as much of it as we can lay our hands on.

Finally, four of the cities — Ballarat, Geelong, Shepparton and Latrobe — have put individual submissions to your group. Today we do not speak on their behalf; we speak more broadly for the group, advocating on behalf of the regions themselves.

The CHAIR — Thank you, Mr Forwood. Can I take you to your last point around proceeds for the regions. The committee has taken evidence in regional Victoria and has received that message quite strongly from a number of regional municipalities that regional areas would like to see a larger share of the proceeds. The message from RCV is slightly different insofar as you talk about yes, a larger proportion for regional Victoria, but you also talk in terms of that being dedicated to improving logistics connections. Does RCV have a view as to what an appropriate proportion of those proceeds are to deliver on that objective?

Mr FORWOOD — That issue has not been specifically addressed by RCV as a group. We are continually discussing with government, both the previous one and this one, ways of encouraging greater investment in infrastructure and CBD revitalisation and other things in the regions. We understand that there is an infrastructure backlog. We think that it is incumbent on us to argue strongly and factually the case for a significant increase in infrastructure funding. I would be reluctant to advise Regional Cities to put a number on it, because if government did decide to fulfil that number, then what more can I advise them to ask for? My own view is that we should put our hand up for all of it and move backwards from there. I understand that the government's view is that a significant amount of the funding should be set aside for level crossing removals, and I have no quibble about that. What I am keen to see is as much as possible flow to the regions. We can produce a raft of worthwhile infrastructure projects that will specifically enhance freight and logistics from the regions to the port — from all different parts of Victoria.

The CHAIR — Can I ask you on that specific issue of logistics projects to facilitate freight to and from the port, the view has been put to the committee that that type of hypothecation should be part of this arrangement. You spoke about the metropolitan level crossing project being where the government is directing the majority of proceeds. A view has been put to the committee that in fact the proceeds from the sale of the port should be effectively hypothecated to infrastructure which improves flows to the port, be it intermodal terminals, rail into the port et cetera — that the focus should be specifically on those things you spoke about, of improving flows to and from the port. Is that the view of RCV, that those proceeds should not just be for general infrastructure; they should be specifically directed to port flows?

Mr FORWOOD — Again, Chair, the committee has not specifically addressed the matter of hypothecation. I am a great believer in hypothecation. I know that Treasury are not and never have been. We have not addressed the issue specifically of hypothecation. I think that the general case is made, though, that when a windfall gain of this nature — which are one-off by nature — appears, then care needs to be used in the use of those funds. I think that a significant amount on transport infrastructure for the regions is logical, sensible and fair.

Ms TREGAMBE — I think also if there is growth in revenue over time that connectivity is part of the plan in terms of how those proceeds are also spent. I guess it is more a forward plan, and Regional Cities is very keen that there is a forward plan and it is not an afterthought in terms of the projects not just for today but into the future. The other point for Regional Cities is that there is a component set aside for maintenance, so there is a notion of maintenance in terms of how projects are actually developed, again just to ensure that we do not get into a situation where we have issues in terms of those future infrastructure connections.

Mr MULINO — Just staying on that issue of the allocation of funds to regional Victoria, would it be fair to say that RCV would welcome the establishment of the Agriculture Infrastructure and Jobs Fund but would like more?

Mr FORWOOD — Oliver Twist. Yes, we certainly welcome the fund. We have had discussions with Minister Pulford already about how some of those funds might be expended. We were pleased with the success in RCV in advocating for those funds. We take credit for as much as possible when these things occur. We were strong advocates with both government and the opposition prior to the last election for funds for regional Victoria.

Mr MULINO — A lot of those first and last-mile issues are critical for a lot of the exporters in your area.

Mr FORWOOD — Yes, they are absolutely critical. We would extend it further, because we think that intermodal freight hubs' proximity to regional employment zones, like Ballarat West employment zone, we think those things need to be considered. Those things you will get significant commitment from local

government to invest in, but state government needs to be a partner. Much of the work we as the secretariat do is seeking a seat at the table with government to discuss the best ways that these matters can be progressed.

Mr MULINO — On a related issue, a lot of the funds have been earmarked for level crossings. One of the issues that came up yesterday when we were talking to Australian Paper, a major employer and exporter out of eastern Victoria, was the fact that the efficient operation of the metro rail system and the interactivity between that and the freight system is critical. Is it fair to say that some investments in the CBD, including level crossings and direct entrance into the port, are going to benefit both businesses and residents of the CBD but also regional Victorians potentially?

Mr FORWOOD — Again, that is not a matter that has been specifically addressed by RCV. But I think as a matter of common sense our view is that investment in infrastructure, specifically in the regions but also the connectivity of the port, anything that happens that facilitates that is a good thing for regional Victoria. We are not saying that all the money needs to be spent in the regions. What we are saying is the most important thing is that we are able to get our produce to market. The best way that we can do that is to have a highly developed system. For example, we have long been advocates for the Murray-Darling Basin rail project, and we are pleased to see that that is advancing further as we speak.

Ms SHING — An investment of \$416 million.

Mr FORWOOD — Yes. We are not so naive as to suggest that funds should just be spent in the regions. We actually want to have a system of transferring freight that works efficiently and effectively for everyone's interests.

Mr MULINO — You have raised the thorny issue of hypothecation, which is one of those eternal bugbears — —

Mr FORWOOD — Can I please just interject and say that the Chair raised it with me.

Mr MULINO — Sorry, you responded to it, didn't you? Just raising that broader issue of the way in which funds are allocated from a particular pool of money coming from a particular transaction, would you also agree with this broader proposition. One of the rationales for asset recycling is that if brownfield assets are leased and that frees up money, that that frees up the government's overall envelope, if you will, in its budget. Regardless as to whether certain aspects of those funds are dedicated to certain things or not, in a sense it frees up the government's overall capacity to spend on infrastructure across the board. Even if funds from that transaction are not necessarily directly allocated, there is that broader budgetary context where the government will have more freedom of movement to invest in projects in regional Victoria within its overall budget constraint.

Mr FORWOOD — Again, this is not a matter that has been specifically addressed by RCV but, yes, I agree with that. Treasury always want to have the flexibility to spend funds in a way that they decide, after discussions with those pesky little line agencies. That is the way they behave.

Ms SHING — Just wondering if Hansard could record the tone there.

Mr FORWOOD — Yes. I understand that argument. In some senses it is self-evident, though, that if those funds come into a wider pool, it frees up funds for other things to do. I think that, perception-wise, regional Victoria has a sense that it must argue vigorously to ensure that when funds like this are generated there is consideration given to how they are expended, in their interests as well as the wider state's interest. We make no apologies for that point of view and for seeking a seat at the table to argue that as strongly as we can.

Mr PURCELL — I will just follow on with that issue of the allocation of funds. I do realise that the 100 per cent is probably a little bit excessive, but considering in your submission you have said that a third of the revenue comes from regional Victoria, that may be a reasonable figure that I would, as an advocate of regional and country Victoria, be willing to defend. It is a figure that may well be used if you are going to argue the case.

Mr FORWOOD — Thank you, Mr Purcell, very much. I am sure that Regional Cities Victoria will be delighted to hear that.

Mr PURCELL — Excellent. In the fourth paragraph on page 2 of your submission you said:

In concert with the decentralisation of freight activity, RCV wants to ensure that freight routes are identified and developed early ...

‘Developed early’ I can accept, but ‘identified’ — a lot of work has already been undertaken in identifying the freight routes, so are you suggesting that that needs to be revisited?

Ms TREGAMBE — I think that was particularly in relation to the logistics space. I think we talked about the fact that work done in the CBD obviously will flow on. I think if logistics were to be considered in regional Victoria, that would ensure issues like congestion in terms of distribution would be managed a lot better. That is also relevant in relation to the routes. But from our perspective, the hubs are critical so that issues, such as congestion, are managed outside of the CBD.

Mr ONDARCHIE — Thank you for your submission. I note your comments today about the miserly amount of funding that the government are offering as part of this deal towards regional Victoria. I think it is something like 3 per cent of the sale price, which is quite an insult to regional Victoria. Given that most of this money that will come from the realisation of this asset will fund level crossings and no doubt bridges in the regional town of Mulgrave, through this process, would you like to see a significant commitment to regional freight infrastructure and investment as part of this sale process?

Mr FORWOOD — Mr Ondarchie, I would find that question easier to answer without the preamble, because if I answer that question, I might be thought to be answering the preamble. In relation to the specific question, Regional Cities Victoria’s view is that as much as is possible should be spent on transport infrastructure. We make no comment on other uses of the fund at all. We think that there are logical and sensible arguments available that should be used by us in advocating for the expenditure of funds in the regions or for connectivity between the regions and the city. I think it is probably best if I do not explore that issue much further.

Mr ONDARCHIE — That is fine. Bill, would you regard 3 per cent of the sale price as significant?

Mr FORWOOD — Again, Regional Cities Victoria has not authorised me to speak in numbers, and I am not prepared to do it. All I can say is that we think there are sound reasons for there to be significant investment in the regions, and we will continue to argue in any forums that are available for there to be that significant investment.

Mr ONDARCHIE — Given that there is not a firm commitment to this significant investment by the government as part of this sale process, would Regional Cities Victoria like to see a firm commitment to support for the regions as part of this sale process?

Mr FORWOOD — Regional Cities Victoria has a proud track record in dealing with governments of all persuasions in advocating on behalf of their cities and the regions more broadly. We are advised that funds from the sale will be available, and we believe that. There may not be anything specific that you can point to that says that this is going to happen or that is going to happen, but we have been told that funds from the sale will be available to the regions. What I am discussing is the quantum.

Mr ONDARCHIE — Fair enough.

Mr FORWOOD — We fully believe that the funds will flow. What we are arguing for is as much as possible.

Ms TREGAMBE — And consultation in relation to developing projects.

Mr ONDARCHIE — Yes. I wish you well with the ‘Trust us’ clause in this bill.

Ms SHING — We had a preamble and then another preamble and then a prologue, so Mr Ondarchie is his own little novel — just a passing observation.

Thank you, Chanmali and Bill, for the comments and for the submission you have made. In talking as you have about not quibbling with the allocation of funds from the lease of the port of Melbourne to address level crossing removal and in also advocating as you have done on behalf of your membership for as much of a spend as possible, is it fair to say that any and all funding that can be allocated to the regions or to facilitate better avenues to market freight and logistics connections and the building of communities for the purpose of industry

development is a good thing, whether it comes from the sale or from other sources as part of a general budget spend?

Mr FORWOOD — Yes, that is fair. Again, we are not precious about the source; we are just advocating on the size.

Ms SHING — Yes, absolutely. You had touched on the level of consultation. I think, Chanmali, you gave as evidence earlier — I beg your pardon, Bill — that Minister Pulford had been in discussions with RCV, as with other regional bodies, around not just the agriculture fund but issues more broadly as part of regional development. What is your view, then, in relation to that specific fund and that allocation and how that has translated more broadly around conversations about what Regional Cities Victoria and its members would like to see happen in the future? Is there access? Is there an iterative conversation? Is it something which is enabling those conversations to happen in a really frank and robust way?

Mr FORWOOD — Yes. We have over the life experience of RCV, the 15 years, experience great cooperation from all governments — the previous government appointed a Minister for Regional Cities — and we have had great capacity to deal with both the government and the opposition all along. We take a completely bipartisan approach to issues; we do not say one thing to one side and something different to the other. We have always argued vigorously for the regions because we believe it is in Victoria's best interest.

Ms SHING — And as a representative of Gippsland I could not agree with you more. The only other question I would like to ask you relates indirectly to that. It goes to the determination of a second container port to be made by Infrastructure Victoria as an independent process and body, taking soundings from industry as it goes along without the political interference that might otherwise happen in a large transaction or a process of that nature. What is your view without the party political interference? I invite your comment on that because Infrastructure Victoria has been set up specifically to be independent. If that is not your view, then I would welcome any comment that you might have, but I am just wondering what your position is in relation to Infrastructure Victoria being charged with that task.

Mr FORWOOD — Our view very strongly is that that is the way it should happen. We have said that in our submissions. We are a great believer in it.

Mr ONDARCHIE — But when?

Ms SHING — You have had your turn, Mr Ondarchie.

Mr FORWOOD — Our understanding is that there is a commitment from — I think it was the ports minister — to refer it to Infrastructure Victoria this year.

Ms SHING — Indeed, you are correct.

Mr FORWOOD — We anticipate that that will take place. What we seek once that has happened is the capacity to engage vigorously with Infrastructure Victoria on behalf of the regions. We are completely agnostic about where it should go. You will get Geelong arguing presumably one thing, and I suspect Latrobe might argue something separate. But as a group we will be arguing in the appropriate forum, which will be Infrastructure Victoria, that it is important.

Ms SHING — That forum is, to your mind, appropriate in the circumstances of what is predicted.

Mr FORWOOD — Absolutely. Yes.

Ms TIERNEY — Thank you for being here today. I get, and I am sure you would agree, a sense that there is some real urgency in regional Victoria about getting things moving again. Our levels of unemployment, particularly youth unemployment, are unacceptable and with the closure of a number of manufacturing plants we will also have a number of adult workers unemployed and feeding into generational and systemic unemployment in large sections of regional Victoria.

I want to get a sense from you of how your constituent parts see that and how they understand they will be able to quickly get projects up and running through conversations they are having with the government, whether it be Minister Pulford's departments or whatever; whether your organisation is going to be putting in applications to

the Agriculture Infrastructure and Jobs Fund, or whether it will be your membership on an individual basis; and apart from having dialogue and conversations with government, how you will have concrete proposals for implementation that provide a statewide regional plan for jobs and infrastructure.

Ms TREGAMBE — At the outset our members are all planning individually to develop their own cities and to have input in terms of making them self-sustaining from a jobs point of view, retaining their residents and attracting more residents. So that is the point at which we all start, and of course then it is about what is required to make that happen. We have certainly engaged all parts of government to discuss how that can happen. This is just one part of it. In terms of education, trades, and all those sorts of issues that are actually going to help make that happen, we have certainly started that work in our cities, as I said, so we can actually become stronger, and then support our catchments. From a statewide point of view, that is really the plan that RCV is working towards. So, if you start to look at where our cities are located and look at the catchments, the plan for our group is really to become strong within ourselves and then to provide support from a catchment perspective. That is basically the backdrop of the discussions that we have with Minister Pulford and with all the government departments that we speak with on an ongoing basis. This particular project is one part of that actually happening. That is our long-term vision.

Ms TIERNEY — So do you see the lease arrangements with the port and the freeing up, therefore, of money being an important conduit for money and projects to get regional Victoria going again?

Ms TREGAMBE — As long as they are considered in forward planning, absolutely, and also the growth of the port is as well. We see growth in revenue as also being considered early so that again there is a forward plan. That is actually very important to us. So again it is about us being part of that thinking in terms of that forward planning, understanding that it is not necessarily going to be year 1, 2 or 3, but what the plans are moving forward.

Mr FORWOOD — The issue of unemployment, particularly youth unemployment, is high on RCV's agenda. We met in a round table forum with the minister for higher education, Steve Herbert — I do not know what his actual ministry is —

Ms SHING — Skills and training.

Mr FORWOOD — about those issues. And at our next meeting I think we have got the vice-chancellor of Latrobe University addressing us on education in the regions, because that is equally as important. To get the best from Regional Cities Victoria, we need to develop not just physical but social infrastructure. Our emphasis is very much on a holistic approach to these matters. While the port freight has dominated today, we would not want in any sense there to be a misapprehension that regional cities are not equally concerned about the other aspects of making the cities great.

Ms TREGAMBE — I agree.

Mr FORWOOD — You only need to look at Bendigo with the art gallery to see how vital social infrastructure can be in an economic sense as well as a social sense. So we are great believers in the broadbrush approach to these matters.

Ms TIERNEY — Are you familiar with the industry round tables that Minister Herbert has been conducting in regional cities to get the owners of the companies that actually produce as well as take product to port around the table to identify their training and skills needs to make sure that the local TAFE is actually delivering on those courses?

Mr FORWOOD — Yes.

Ms TIERNEY — You are aware of that?

Mr FORWOOD — Yes, we are aware of those. We are also aware of some of the impediments to local youth getting jobs as well, so we are doing significant behind-the-scenes work in trying to understand and then advocate to government and the broader community about ways of ameliorating the worst effects of the youth unemployment. In some areas it is very high.

The CHAIR — Thank you. Ms Tregambe and Mr Forwood, thank you very much for your evidence on behalf of Regional Cities Victoria this morning and for your written submission. The committee very much appreciates your efforts and we will have a draft transcript to you in the next couple of days for any corrections.

Witnesses withdrew.