

CORRECTED VERSION

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 13 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

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Witness

Ms Kate Roffey, Chief Executive Officer, Committee for Melbourne.

The CHAIR — I have a quorum so I will reopen the Legislative Council Port of Melbourne Select Committee public hearing in relation to the proposed lease of the port of Melbourne. I ask that all mobile telephones be switched off. I welcome Ms Kate Roffey, the Chief Executive Officer for the Committee for Melbourne. Our committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false and 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, further subject to the provisions of the Legislative Council standing orders. All evidence is being recorded this morning, and you will be provided with a proof version of the transcript in the next couple of days.

The committee has allocated 45 minutes for this session. I invite you to make a brief opening statement if you wish, and the committee will then proceed to questions. We thank you for your written submission as well.

Ms ROFFEY — Thank you very much. I have a quick opening statement — a little bit more about what the Committee for Melbourne actually is. We are an independent member-based entity, and obviously the Port of Melbourne is a member of ours. We pick up issues that are around city shaping going forward and looking at a 30, 40, 50-year horizon. Obviously the future of our ports is one of those specific issues. We tend to take a higher level, more strategic vision look than an in-depth look at the details here, which I am sure we will get to later in the conversation.

But overall the committee's position for a long period of time has been that we do support appropriate sale of assets, brownfield assets in particular, that we know are tested and good models for handing over to private operation. We very strongly support the use of any funds that may come from a lease or a sale of the port going back into an infrastructure funding pool to generate more infrastructure in its own right that becomes productivity enhancing and preferably can be on sold potentially in the future of its own. That is the position that the committee has held for many, many years. Obviously the port is one of those issues at the moment — very topical — and fits right into that space. It is a pleasure to be here this morning.

The CHAIR — Thank you very much, and again thank you for your written submission. Can I take up that issue of asset recycling or the recycling of the proceeds, and your written statement is quite clear, as was your verbal statement, around the proceeds being reinvested in new productive infrastructure. Does the committee have a view in that regard as to the government's proposed use of these proceeds for its level crossing removal project, the 50 level crossings it has highlighted as its priorities? Does the Committee for Melbourne see that as fitting within your definition of productive infrastructure?

Ms ROFFEY — The committee actually was probably the entity that really raised the awareness of the need to remove level crossings or undertake grade separations because of the impact that they have on our capacity to add more into our train system. So with the Melbourne Metro, or the Melbourne rail link as it was under the former Liberal government, both of those pieces of work we know are crucial city-shaping pieces of work, because they are about unlocking the capacity of our train system, and there is no doubt we are all very much aware that it is reaching capacity at the moment.

But along with unlocking what we call the city loop and inner core congestion issues through either the Metro or the former proposed model — either of which would have done very similar pieces of work around the congestion in that area — we also have the issue of grade separations and the fact that to run more trains down any train line if we have got more capacity, we cannot have boom gates down for longer periods of time. We have to remove them, and I think still with about 168 or so left in the metropolitan area to remove, it is a big piece of work. There are also things like high-speed signalling that all need to go together to do this. In the productivity and capacity building realm of things, yes, the grade separations are a very important piece of this work, and we have certainly supported that. We also support proceeds going into the Metro project itself in terms of actually getting that piece of city loop inner core congestion worked out as well. That is an absolute key.

Are there other projects? Of course there always are, but the reason we need to recycle our asset is we need to build a bigger funding base. We know that there just is not enough government money to go around. We are all very reluctant to pay more taxes and to undergo things like value capture and other benefited area levies and those sorts of things. This is a good way, I think, to increase that funding pool, and that is essential if we are going to move forward with the growth and development of this city.

The CHAIR — Does the committee have a view on whether there needs to be a more rigorous process around the selection of those grade separations to be undertaken? Obviously a grade separation such as the one that was done on Springvale Road has a very significant clear productivity benefit. Perhaps some of those in more residential areas are not going to deliver the same degree of productivity benefit, maybe included within the pool of projects that are being undertaken. Does the committee have a view that there should be a stronger assessment on individual projects as to their productivity benefit?

Ms ROFFEY — Again there is a productivity question around an individual crossing, and a couple that you mentioned there have very significant productivity benefits and indeed productivity uplifts as well. For us, the bigger question is: how do you uplift the productivity capacity of the entire system? That means that you have to do a whole line worth of grade separations, and it does not necessarily mean that every grade separation has to be done. You could say, ‘We do two out of every three, and the third one the boom gates are just down for the majority of the time in peak hour, but there is reasonable access through one of the other two alternatives’. But eventually it has to be done on a line-by-line approach, and the majority need to be done. How you pick where they go, I think there is a question of some that are unsafe or considered unsafe, and I will point out that I am yet to see an incident at a level crossing arise because of a boom gate malfunction, so the safety issue is perhaps people using them inappropriately. I do commute by train, and I stand at my level crossing waiting for 15 minutes because we have a busy line — —

Ms SHING — You get off easy!

Ms ROFFEY — I see people walking across or riding their bikes across and I am like, ‘You are the person that I will be standing in front of the cameras about tomorrow, having to explain why level crossings are not unsafe if they are used properly’. I feel that sense of frustration as well when the boom gates are down.

Is it an individual productivity question for individual crossings? I am not sure that that is a priority. It certainly is in a full-picture sense, but I think there are some other issues around those that are considered to be particularly unsafe. We have some that lead directly to a hospital and boom gates are down there and people commonly say, ‘We see an ambulance stuck on the other side’. That just cannot continue to happen. So I think there are other reasons why level crossings get prioritised outside of just the productivity question.

But the bottom line is we have to do at least 150 of the 276 that we recently had left to really get this city working, and that is an enormously big piece of work. They did it in Sydney in the 1980s — removed them all — and that has made a significant difference there, and we are just starting that process. Both the former government and the current government have started that process of removing them. Would I like mine done? Of course I would, but would I in all honesty say I would put it on the priority list? Probably not. Everywhere I go people say, ‘Can you tell Gordon Rich-Phillips to have my level crossing removed?’ or ‘Can you tell the Premier to have my level crossing removed?’, but unfortunately it does not work that way.

Mr ONDARCHIE — Which is the one you want left to last?

Ms ROFFEY — Not mine, I would have to say. You are all in the position of having to make those difficult decisions, so we try to blend that safety, the actual need and the productivity together in trying to make those decisions, and we would all agree or disagree about whether you get it right, I am sure.

Mr MULINO — I just want to return to that high-level concept that you support the notion of certain brownfield assets being transferred to the private sector and those funds being used to fund productivity enhancing or assets with other benefits — public policy benefits. Where those brownfield assets are transferred, obviously where possible you would want to achieve operational improvements —

Ms ROFFEY — Yes, definitely.

Mr MULINO — and also to have the right incentives in place for appropriate investment over the course of a lease, for example. Just as a high-level principle, you would support the lease being structured in such a way and the regulatory environment being structured in such a way that the new lessee will have the right incentives to enhance capacity as appropriate over the coming decades?

Ms ROFFEY — Yes, and I think that is certainly in their best interests. If you are a private operator, you want to increase your own capacity — it works for you. There is a question that we struggle with and we try to

interpret in our own minds: should assets be government owned and operated once they are up and running? I definitely think there is a big case in the early stages for governments to invest in things that might be seen to be too high in risk or the return may not be seen to be there for a private investor to get involved upfront. There are all sorts of assets, and they are the ones that we have sold off in the past, and New South Wales, for example, are going through the process of selling them now. So they are big assets.

I think they need to be state-owned and probably state developed in the early stages, but once they are tested and they become brownfield assets there then can become a case for saying, 'Can we lease or sell them to improve productivity or the outputs?' and, 'Are they better managed under a private operator than they can be under government?' and, of course we can use the proceeds to reinvest in the future. We now have a federal opportunity as well to get additional funding through their asset recycling scheme, so all things are coming together.

There is always a danger that we feel that if they are handed over to private owners, costs will go up. So there is a requirement, particularly with monopoly-style assets, for very, very strong regulatory control. In Victoria we seem to do that very well. We have done it well with our electricity, I think. Yes, prices went up, but nowhere near as much as they have gone up in Sydney and Queensland; we still have relatively low electricity prices. In talking to CitiPower and SP AusNet, who manage and own large chunks of those assets, they are very cognisant of the fact of trying to drive better productivity from either the same inputs, getting more out of it, or eventually with fewer inputs, getting the same return. That is part of their business. In a commercial operation that is what you are trying to do: generate potentially — ideally — more profit with the same inputs or less. So I think there really is a drive there to do that.

That to me is why brownfield asset recycling does make sense, because there is an upside for both, requiring a strong regulatory environment to make sure that things do not get out of hand when there is not natural market force. We do not have four ports competing here, for example, so you do not have natural market force at play. But I think in the past we have done that well in regulation and it looks like the proposal is doing that well here. As well, there has been some national discussion that says it looks like it is a very good regulatory model. So it is very, very important to have that in place.

Mr MULINO — That segues into my second question, which is around the economic regulation. Traditionally in Australia pretty much all of the ports that have handled container traffic are regulated by what is called a 'light-handed approach', which the ACCC termed almost an oxymoron. What is being proposed here is to move towards a CPI cap for 15 years, and then a building block approach going forward, which is really the approach that the ESC uses for utilities such as electricity. It sounds like you are supportive of moving to that more rigorous approach, which provides more certainty and transparency.

Ms ROFFEY — Yes. You have to strike the right balance to make it palatable and you have to try to drive the best investment that you can from the lease or the sale of the asset, but I do actually support some of those stronger regulations, and knowing Graham Simmons I am sure he will be in there making sure it is done to a T. Again, one of those things we hear from talking around the nation is that Victoria has a strong and very responsible level of governance, and always has, so I would expect to see something a little stronger or erring on the side of perhaps a little stronger in regulation than what it may be in other states — historically we have done that.

Certainly I think that without getting over hindering in terms of making it palatable for a commercial operator to be in there, there needs to be some strong regulation any time we have a monopoly asset, whether it is the port or something similar.

Mr BARBER — I apologise if I missed this as I came in late on the first bit of your presentation. Does the Committee for Melbourne have a view as to whether the port of Melbourne should continue to grow at its current site and then the overflow goes to a new port, or whether in fact we should be planning to move the whole of the port of Melbourne operation to a new port?

Ms ROFFEY — There is a very interesting discussion, probably sparked by the conversations of the past around Bay West and Hastings. I think that was an interesting conversation around speculation that we required a second option rather than an actual full look at what is the genuine capacity of the port of Melbourne and how long will that last, and some of those other questions that we are getting around the size of the container ships

that are coming as well, questions around the heads — are they wide enough or deep enough? It is a sort of strange V shape now, so the drafts are not necessarily getting deeper but the breadth and the length of the ships are getting bigger. Is that going to be an issue for us in the future? Is it an issue with the West Gate Bridge and passing under them?

I am not sure we have answered any of those questions sufficiently to understand whether the driver for an alternative port is some of those issues as opposed to speculation that maybe we just want to move the port out of the middle of the CBD. That has its advantages: it is very close for logistics landside. It has a disadvantage in that there is a lot of traffic moving in and out of that right on the edge of the CBD.

I am not sure we have connected up the thinking enough to say why we would be looking at a second port. Is it a genuine capacity issue or is it a desire to actually move the port out of a very busy CBD? My understanding in talking to the port of Melbourne is there is a lot more capacity that can go into the port of Melbourne itself. Population growth rate here is fairly rapid, but still on a world scale we are a relatively small population size, so just how much more container cargo are we going to need as things get smaller? What used to be a desktop computer is now this, and I am sure will get smaller. There will probably be some chip in my head soon —

Mr DRUM — TVs are getting bigger, Kate.

Ms ROFFEY — Yes, that is right — televisions are getting bigger; perhaps we should go into television manufacturing. A lot of speculation has arisen, but we do not think there has necessarily been a very strong and clear driver as to why we have been considering other options for ports elsewhere. Is it a genuine capacity issue or is it a question of moving out of the CBD or is it just an issue of saying, ‘Well, if we did have to go to another port in 50 years or 70 years or 30 years or 100 years, where would we possibly have options to do that’?

For us the key questions are not necessarily where the port is but where the other supporting infrastructure is going to be and how that is enabled. So we, for example, are able to support consideration of something like dockside to distribution rail connection to actually move some of that freight more readily to a distribution centre where it can be unpacked or moved on in containers. Thinking of those sorts of issues is an additional 20 or 30-year plan on top of the actual port issue itself.

I do not know enough about the actual capacity. I do not have a good enough feel for exactly where we are going to go in a population sense to say, ‘We’ll be out of capacity in 50 years or 30 years or 20 years’. The stevedores tell me there is a lot more capacity down there, but I am not enough of an expert unfortunately to clearly know. If I had a crystal ball, I might be able to speculate a bit more, but it would only be speculation if I gave an answer.

Mr BARBER — The thing is that once Parliament votes for this bill one of those options has been taken away.

Ms ROFFEY — Which is?

Mr BARBER — We are locking in someone at this site for 50 to 70 years. Therefore the Greg Hunt option, as of yesterday in the *Herald Sun*, of actually turning it into a residential or other precinct and moving the whole port somewhere else is off the table if we vote for this bill.

Ms ROFFEY — Yes, and I think one of the things again we have not clearly discerned is are we talking about container cargo or other cargo? The only conversation we are having at the moment is about container cargo; we are not talking about bulk handling or other sorts of opportunities that may be able to be used.

In the forward thinking — and this is why we have been such a huge supporters of something like Infrastructure Victoria that has a long-term vision for what needs to happen, because I think all those dots need to be connected up in terms of saying, ‘Fifty to 70 years, yes, there is a port doing something there’. Is there an overflow port doing something else somewhere else? Possibly, but I think at the moment we do not have that clear vision of what is going to happen, and that creates a difficulty — exactly what you are talking about.

Mr BARBER — So you would be happier if we waited for that vision from IV and deferred consideration of this bill?

Ms ROFFEY — No, not really. I think we need to get moving on it. No matter what happens I think there will still be a port operating in Melbourne in 50 years time; I think the time, if it was going to ever move fully out of there, is beyond that time horizon. Looking at Metro, which is proposed to start, we are still looking at 2021 before we finish works on that. So these are long-term time frames, and I think waiting just stagnates our development in other areas.

Mr PURCELL — Thank you for the presentation and submission. I just have a couple of queries in regard to the submission. The first one is in your key points, where you said the committee believes that, when done correctly, the privatisation et cetera is a good thing. Can you explain to me what the committee means by ‘when done correctly’?

Ms ROFFEY — We believe the privatisation or lease or sale or whatever is done in the best interests of the state, and I think we are doing that for the right reasons. We are looking to invest in more productivity-enhancing infrastructure. I think that is a good reason to do it. We would not be sitting here and supporting it if it was going back into operational costs. So that is one of those things.

And I think, as we said before, that question around if it is a monopoly-style asset and there is a limited amount of regulation through other methods — for example, market forces — that appropriate regimes are put in place to deal with that, and I think we have seen that that is there. Those are the sorts of things we would talk about in terms of being appropriate sales of assets or leases of assets.

Mr PURCELL — On page 4 or 5 you go on to say that there is significant uncertainty around the reality of the second port. Do you think that causes any problems, having that?

Ms ROFFEY — Again, does it cause problems? It causes problems probably more in our own minds in terms of what is going to happen in the future. Does it cause a problem for a port operator? I do not think so because they crunch the numbers, they do all the work around what is going to happen in the future. There will be a lot of interest in this option, and that interest says to me that this is a good idea and it is a good opportunity. I think we have seen the work from KPMG, who have looked at some of the economics around what would happen if something else came in. I am certainly not an economics expert. I have looked at it, but the ins and outs of the economics of it I will not comment on. But it seems to me to be a good way of actually looking forward and saying, ‘If in the future we needed two ports, we needed to increase capacity, then there is a range of economic levers and various other bits and pieces that would go into the contract that say we can actually deal with that’.

I do not think we are going to see all of a sudden overnight or even within a year the port in Melbourne disappear unexpectedly. We are going to know well in advance if there is a need to actually go elsewhere and build more capacity, and from what I hear at the moment that is probably beyond the time frame certainly of a 50-year thing in terms of capacity, but again the stevedores and those groups certainly know different it is.

Mr ONDARCHIE — Kate, we hear different views about the life of the port. We have heard a variety of views, and nobody really knows exactly what of the truth of the matter is right now. I note the Committee for Melbourne’s views about realising state-owned assets to fund key bits of infrastructure. I think you called them productivity-enhancing infrastructure. What is the Committee for Melbourne’s views about a rail link to the airport?

Ms SHING — Point of order. Can I ask what the relevance is of a rail link to the airport when we are talking about key infrastructure here?

Mr BARBER — I will explain it if you like!

The CHAIR — I think the question is about productive infrastructure, so I think that is within scope.

Mr BARBER — Given that the money raised can be spent on anything, I think that is in the ambit of the bill.

Ms SHING — No, that is not the case, but anyway.

The CHAIR — I will allow the question. Ms Roffey.

Ms ROFFEY — Should we have an airport rail link? Yes, we should. It is a matter of priority in terms of where it fits. Should it go above Melbourne Metro? No. I think there is a question of how you have to deal with the issues that we need to create the genuine capacity that we need in the city. I have absolutely no doubt — and we have Metro Trains, Public Transport Victoria and the trams; they are all members. I actually just came from talking to the CEO at Metro Trains. Having looked at all those things, having looked at east–west link, having looked at the work that Transurban is doing now, I have no doubt at all that the metro city loop in a core piece of work needs to be done first before we can add any more capacity onto any line because we have got four — —

Mr ONDARCHIE — So that is in terms of rail. You talked about the east–west link. What is the Committee for Melbourne’s view about the fact the Eastern Freeway finishes at a T-intersection and has no connectivity to the city?

Ms ROFFEY — We fully support the linking of the east and the west across the north of the city, and that piece of infrastructure was, I think, first tabled in Parliament in 1964 — or something like that. It was part of Rod Eddington’s plan as well.

Mr ONDARCHIE — It was part of Rod Eddington’s 2008 report, yes.

Ms ROFFEY — I think it will happen, but we are where we are now and the question is — —

Mr ONDARCHIE — Did your members have a view about the government spending nearly a billion dollars not to build it?

Ms ROFFEY — I am sure they did, but did we — —

Mr ONDARCHIE — You are representing them, so — —

Ms ROFFEY — If you were Lend Lease, who had a very strong view as a member, but I do not represent individual members. I represent the Committee for Melbourne’s say.

Mr ONDARCHIE — But in terms of productivity. I am talking more in terms of productivity and that traffic that stalls around Alexandra Parade and makes its way through Cemetery Road. What does the Committee for Melbourne think about that?

Ms ROFFEY — About the traffic stall along Cemetery Road? I think it is terrible. Would the east–west link have fixed it? Who knows? It depends where you are getting on and off. The question is, in 50, 60, 70 years time, do we need more rail capacity? Yes. Do we need more tram capacity? Yes. Will we need more road capacity? Yes. Should we have an airport rail link? Certainly; we are a major international city. But the question is how do you prioritise it when you have only X number of dollars over here to spend? I would clearly say that in the rail thing — and I am not sure if you were alluding to this — it would not necessarily need to be a heavy-gauge rail link between the airport and the city either. It could be — —

Mr ONDARCHIE — I am just noting that the Committee for Melbourne is keen to see that progress, so thank you.

Ms ROFFEY — Yes. It could be something else.

Mr ONDARCHIE — What do you think about the so-called ring-road that in fact is just a semicircle ring-road that stops at Greensborough?

Ms SHING — Point of order. Are we going to go through every project that Mr Ondarchie chooses to come up with between now and the end of the hearing?

Mr ONDARCHIE — On the point of order, Chair, the Committee for Melbourne have made it very clear that they see the privatisation of the port as funding valuable key pieces of infrastructure. What I am trying to ascertain is whether these pieces of infrastructure I have mentioned get into their list of priorities.

Ms SHING — Further to the point of order, Chair, Ms Roffey has already indicated in her response to the first question that you raised around the airport rail link that, whilst those ideas may be good ones, the priorities around the infrastructure proposed by way of —

The CHAIR — That is not a point of order, Ms Shing.

Mr ONDARCHIE — That is not a point of order. She can answer for herself!

Ms SHING — removal of the 50 most dangerous level crossings are a sensible thing to do.

Mr ONDARCHIE — I am sure she is capable of answering for herself.

The CHAIR — That is not a point of order, Ms Shing. That is a point of debate.

Mr ONDARCHIE — Unless you want to sit on that side of the table, I think we can Ms Roffey answer for herself.

Ms ROFFEY — I am happy to answer. There is a big difference between funding and financing of projects. We need more funding, as there is plenty of financing but somehow we need to pay it back. I think the big difference for us at the moment is that we have ways of funding road, and Transurban are exemplary at doing this and can build a lot of capacity in that. At the moment we are yet to work out a way that we can genuinely get private investors seriously interested in funding something like the Metro train upgrades. If I was sitting there and having to say, 'There's alternative means on this side, we don't really see alternative means on that side, so where do we need to put our money?', I would say into rail at this point in time. I would also say that opening up some of that PPP opportunity to fund other things is essential in this state, because we need both road and rail, without a doubt, to build capacity. I just think we are better at the moment in doing things for road under PPP-style models than we are under trains.

Mr ONDARCHIE — Under this government, we are better at paying for road we are not building! Are you then supporting, when you talk about Transurban as the right model, that more tolls would be the answer to funding more roads?

Ms SHING — They were part of how you are going to deliver east–west, weren't they? That was the only way to do it, to increase the tolls

The CHAIR — Order, Ms Shing!

Mr ONDARCHIE — Chair, maybe we could direct Ms Shing to sit on that side of the table if she wants to both ask the question and respond.

Ms SHING — You open the door on east–west link, Mr Ondarchie, I will go there every single time.

The CHAIR — Order! Let's not do that.

Ms SHING — You know it was an economic basket case.

Mr ONDARCHIE — You get plenty of time in the parliamentary chamber. You do not have to take up time here.

The CHAIR — Order! Mr Ondarchie and Ms Shing, enough! We will have an answer from Ms Roffey.

Mr ONDARCHIE — It is quite an insult to the witness when you are taking up their time.

Ms ROFFEY — We — and I will get one of the staff to send it across — have actually done a piece of work about funding, financing and different options. There are toll roads, but we are also huge supporters of value capture benefitted area levies and other things because, again, it is about increasing the funding pool in general.

I think one of the interesting things through the whole east–west debate coming up into the election last year was that the topic of concern was never the fact that it was a toll road. I think we have moved beyond that in this city. I think in Sydney they have introduced new freeways — they are tolled, and there is barely a question. We are lucky enough here, unlike Germany, for example, to have an option to go another route. Here, if you want to pay the toll, you can get on the toll road; if not, you can go up Bell Street or somewhere else. In Germany and places like that you do not have an option: you are either paying the toll or you are not travelling.

We raised those questions when I spoke to both sides of government before we put that paper out in 2012, and there was great concern about just raising those issues. I said, 'Look, I think we need to have those discussions. We are adult enough in this country and certainly in this city, in Melbourne, and in this state to have these conversations, and people get it'. If my choice was to say that I can pay a toll and have a piece of infrastructure that is going to allow me to save travel time so I get home to my family and that I know that money is being hypothecated and is going to the actual build, I think there would be a lot of people who would say that they are happy with that because it is buying them more time at home, it is getting them to work more quickly and not sitting in congested traffic, the train is not full and they are not missing it standing at Parliament trying to get in the doors when it is already full. I think we get that.

Mr ONDARCHIE — I am sure that people would like to get home if they are living in the west or the east to their families.

Ms ROFFEY — I live in the west, and I know the people out there, yes.

Mr ONDARCHIE — Just one final thing: you talked about the level crossing removal program. The RACV has been quite verbose about what they think the priority should be. Other experts have determined the priorities. We met separately with the level crossing rail authority in another capacity, and they said that they do not decide the order, it is decided by somebody else. How do you think the order should be decided?

Ms ROFFEY — I think we have already touched on that, but I think there is definitely an element of safety first, and I think that is always going to be a priority concern no matter, as I said, whether it is people doing the wrong thing. I do not think it is malfunctioning level crossings that cause safety issues, but still if there is a level crossing where more people do it or more people get injured or there are more accidents than elsewhere, then I think we have to look at that first and foremost.

Mr ONDARCHIE — RACV were right.

Ms ROFFEY — Yes. I think there are things like hospitals and genuine blockers that are out there, and then there is the other one that is there is just enormous amounts of traffic congestion. I did something with the *Australian Financial Review* some years ago that had me standing, quite scarily, in the middle of a very busy road where there was a boom gate, there was a tram that tried to get across the boom gate and headed on to the M1 freeway and there were about five different entry points for cars there, and I was just standing there thinking, 'This is just a mess here'. For all those sorts of reasons, to me that would be a priority too, because traffic was just getting blocked everywhere. Trams were getting blocked. I think there are a lot more issues that need to go into the decision around what is a priority.

Ms SHING — It is good to hear your evidence and also to read your submission to this particular inquiry, thank you for making the time today. I note that you have referred in your submission to the 15 per cent payment on net proceeds from the commonwealth government's asset recycling initiative. The asset recycling incentive scheme, which is 15 per cent bonuses from the state, will also impact on the way in which returns are delivered and the transaction operates. What is the committee's view on that?

Ms ROFFEY — I think if there is an advantage there to take, take it while you can. There is a limited time on the federal assets, certainly, and there is a limited pool of money as well. We know that Sydney or New South Wales are well and truly ready to get in under that scheme, and we — or I, certainly, as a very passionate Melburnian and Victorian — do not want to see all of that money going to another state. There is no doubt that at the moment there is a very strong perception that Sydney are getting things together up there.

We need to get some of these major projects going — not just because they are capacity enhancing, but because there are jobs in these things. There is economic confidence and there is economic stimulation that goes with major infrastructure construction in this state. We always say that we work on the crane theory here: if the cranes are swinging, the economy is singing. There are more reasons than one to get on with some of this infrastructure build that we need, and if there is federal money available, then get it while you can.

Ms SHING — You have also indicated that the committee acknowledges that the government's proposal to deal with the significant issue around the second port through the inclusion of a port growth regime will, you say, seek to give investors the ability to more efficiently price this uncertainty, thereby more fully reflecting the inherent value of the port of Melbourne. In relation to the support that you have indicated for the port growth

regime as a means of ensuring that the development does not compromise value — again, you have indicated that you would love a crystal ball — but how do you and committee members see that actually safeguarding value now and into the future?

Ms ROFFEY — Again, I am not an economist — we have had a look at the thing, but I will leave it to the experts to say whether or not is the right regime — but I think the thinking there is that we do not know about the future, we cannot tell how big our population is going to grow and we do not know how big Australia's population is going to grow. Televisions are getting bigger and computers are getting smaller, so how much container cargo are we going to need in another 50 years? You are speculating.

I think the fact that we are aware that things will change well beyond what we think — I would never have thought that I would be carrying my life around in my handbag on this iPad 20 years ago — I think the fact that there is something there that recognises that things could change and that there is a mechanism to deal with it is a positive thing. Again, we want to extract as much as we can out of the value of the lease or sale, whatever you do.

Ms SHING — So you would want to get more than 45 cents in the dollar for it, for example.

Ms ROFFEY — Exactly. You would want to drive as much as you can, and if that requires that you have some kind of regime in there that says that should things change in the future, we are dealing with it, then it is about giving that investor confidence, because it is a risk. Particularly the super funds that are in it — that is my money that they are gambling with, so I want to make sure that they are checking these things appropriately. I think it is entirely appropriate that you go through a process of saying that should something happen, we have a mechanism in place to deal with that. I have to trust that the experts in the big four firms know what they are doing in terms of developing an appropriate rate regime.

Ms SHING — And finally, through the Chair, you have referred to the state government of Victoria's submission to this particular inquiry, which is a document of I think about 22 pages. It has a few tables in it —

Ms ROFFEY — I thought it was about 60.

Ms SHING — There are some attachments at the back — which compare and contrast the proposed transaction on the one hand with the existing arrangements, and then the existing arrangements against other ports around Australia. One feature of the transaction, which has been further bolstered through an announcement involving discussions with the ACCC at the start of this month, is a really robust economic regulatory framework. What is the committee's view in relation to those safeguards that have been built into the transaction?

Ms ROFFEY — As mentioned before, it is absolutely essential that they are there. Again without being an expert on whether they are the best thing, we have heard some commentary coming out that says they look very good — from some independent people. But the fact that they are there, and again we have to assume that the people who have done the regulation framework are experts in the space and have got it right — absolutely we have always insisted that if they are monopoly-style assets, as I said, they have to have some kind of appropriate regulation. You will always get the people who say it is good, you will always get the people who say it is bad, but it appears to be the right sort of framework. As I said, we seem to do it well here in Victoria. We have done it well in the past with our assets that we have either sold or leased.

Ms SHING — Even without the strengthened framework.

Ms ROFFEY — By all accounts this is stronger than what has been there before.

Ms SHING — Absolutely. Thank you.

Mr DRUM — Thank you, Kate. We currently have 2.3 million TEU going through the port, and this legislation will effectively take that up to around 7.5 million TEU. Do the issues surrounding the limitations that you mentioned — that is, around the heads, the blasting, the dredging, the limitations under the West Gate Bridge and this congestion around the inner west of Melbourne — concern you as the CEO of the Committee for Melbourne, to triple the traffic?

Ms ROFFEY — Yes. Again, are we tripling the traffic? Yes. Do we need more infrastructure to support that? Yes. When we were talking and Greg was asking about the ports and the range of ports before, there was a big discussion that we have had about the waterside connection. I am not sure that we have had the right discussions around landside connection. Irrespective of what happens, whether there is another port coming in 50 years or not, this port will continue to operate and it will continue to grow in capacity for the next 20, 30, 40, 50 years. We absolutely need to get better landside connection from the port through a distribution centre. As I said, we are a supporter of rail where we can just to at least move huge volumes that need to be moved out of the city area. We have seen again in Sydney they are starting to do some work around some dockside to distribution centre access.

Mr DRUM — But Kate, we have heard experts sit where you are sitting now and say that the capacity is around 5.3, and growing at 6 per cent we will hit that in about 11 or 12 years. Now those are experts from Victoria University. One of their witnesses spent a lifetime in ports and in shipping. He says that Melbourne is limited in its capacity not by what happens behind the scenes but, including world's best practices, simply limited by quayside meterage. How can he say anywhere from 12 to 25 years and how can you say 30 or 40 or 50?

Ms ROFFEY — Yes, I know Hermione and I know the people at VU. I was speaking to Stephen Bradford, who was the port [inaudible] there, and speaking to Nick who is down there, and my understanding from them is that there is a lot more capacity, and again speaking to the stevedores, they believe there is a lot more capacity down at Webb Dock than we are currently using. Depending on where you sit will depend on — stats, facts and figures can always do that. Again I do not know definitively — I do not think any of us do know — what the capacity is, but my understanding is that it is a lot more than what we are currently planning for.

Mr DRUM — We had it put to us by the Maribymong residents action group that it is absolute insanity to enter into a project that is going to see the sale of an asset, with that you are going to lock in tripling the congestion that is currently driving them crazy in the inner west, with the trucks going through schools. You are going to lock that in for 50 to 70 years so that you can somehow or other explain to the people of Melbourne that you are going to ease congestion predominantly in the east. How do the residents of the inner west get that message across?

Ms ROFFEY — As a resident of the inner west, we say, 'Get on with the western distributor and build it as quickly as you can to get the trucks off Francis Street', which is right near where I live. Again, this is the question about making sure that there is sensible landside connection in there, and I think that better planning for the landside connection has to happen. It does not matter where the port is; it is going to be congested wherever you try to move freight.

Mr DRUM — Would you like to have a congested port at Hastings or Bay West, or would you like to have a congested port where it is now for 50 to 70 years?

Ms ROFFEY — I live in the west, but I tell you, if you get someone who lives down near Hastings, they will tell you, 'Not here'. One of the interesting things is everyone is 'Not in my backyard', but somehow in order to move forward and build capacity —

Mr DRUM — No-one at Bay West is saying, 'Not in my backyard'.

Ms ROFFEY — and have a city of 8 million people, every one of us has to go through some kind of pain, whether it is urban infill or whether it is putting up with the construction for a level crossing and grade separations and I have to go on a bus because my train cannot get through or whatever. I think it is part of the pain process we have to go through to grow. Nobody at the moment is talking about the port of Melbourne not being there in 30 years. Even if you go and talk to Mike Lean down at Hastings, it is still going to be there. So do we need to deal with that congestion around the port in a better way? Absolutely.

Mr DRUM — Again we heard lifelong experts and lifelong people in this trade say that whenever any city anywhere in the world builds a second port because they max out their existing port, they move further out the river and they build the new port out there, but the ships anywhere in the world will never stop twice. Again, how can you be so sure? Everyone on this panel agrees that the port of Melbourne is going to max out within the first half of the 50 years.

Members interjecting.

Mr DRUM — Everybody agrees that within the term of the lease this port is going to max out. Experts have told us that ships will never stop twice. They are not going to call in at Bay West or Hastings and drop off 500 containers and then drive in another 30 or 40 or 50 kilometres and drop off another 500. They will do it at one location. We are struggling to comprehend how this government, this transaction, is going to sell the asset, not make any provision for an asset that in the future the city and the state is going to need, effectively make it nearly impossible for that work to be done by a government to prepare for a second port because compensation will need to be paid. So you are going to lock this in until it reaches 7.5 million TEU, and then miraculously it is just going to materialise some day and you are expecting ships to drop off at an overflow port and then keep the 7.5 million TEU coming into Melbourne — —

The CHAIR — Mr Drum, can you be a bit more specific?

Mr DRUM — Have you heard the evidence that ships anywhere in the world will only ever call into one port at one location?

Ms ROFFEY — Yes, definitely. I would not stop twice either.

Mr DRUM — Okay, so can you explain to me how you see an overflow port at Bay West working once we go past the 25-year period when we max out the port of Melbourne? How is it going to work?

Ms ROFFEY — At the moment we are not talking about the overflow port.

Mr DRUM — What are we talking about? A second port.

Ms ROFFEY — My understanding is that we are talking about a lease, not a sale, of the current asset that we have. The question over how long that asset will be able to cope with the demands required for containers to come into this city, none of us know. I think we are all speculating.

Mr DRUM — As the CEO of the Committee for Melbourne, it does not concern you at all that you have no idea and the government has no idea about capacity and they are going to let some winning bidder set whatever they think the capacity is going to be.

Ms ROFFEY — There are a couple of things there. A winning bidder is going to be very sensible about what sort of capacity they think is realistic because you are not going to get a private person to bid on something that is unrealistic. If it was unpalatable to them, we would not have any interest in it.

Mr DRUM — What is the penalty for breaching too high a capacity for a bidder?

The CHAIR — Mr Drum, we have to move on.

Ms ROFFEY — What is the penalty for reaching too high a capacity?

Mr DRUM — Why would the problem be for a bidder to stipulate a very high capacity?

Ms ROFFEY — We will not get into the economics, but it is in my interests as the bidder to turn a profit on the thing I am bidding on. I am not going to — —

Mr DRUM — So why would you not say 7.5 million?

Ms ROFFEY — Well, if I thought that was, as whoever is bidding, then I might. I am not entirely sure what the overflow question is. I would not think that if we had an overflow port that a ship would be stopping twice. It would be going to one or the other —

Mr DRUM — One or the other. Thank you.

Ms ROFFEY — depending on whatever it is. It might be grain handling.

The CHAIR — Thank you, Ms Roffey. Finally we will move to Ms Tierney. We are over time on this one.

Ms TIERNEY — Thank you, Kate, for being with us this morning. It is clear that Infrastructure Victoria was an election promise that has been delivered by this government — and indeed we have had that legislation come through the Parliament — but I would have to say that Mr Drum has certainly sold the need for it this morning. Can I just ask: in the early stages of the development of Infrastructure Victoria, what are the key features that you would like to see and how do you think that your organisation, the Committee for Melbourne, will be interacting on an ongoing basis with that body?

Ms ROFFEY — For the three and a half years I have been CEO — from the day I got here — we have stood up and said we need independent infrastructure prioritisation, and this is about 50 to 70-year plan for this city. We have strongly advocated for that, and we have worked very closely with both sides of government to advocate for that. Our key for an Infrastructure Victoria that will work is independence. I think we have achieved that with the board. People will say there are departmental secretaries on it, but I think you need to keep that link to funding and I think it is essential that you have their input. Quite frankly, if you got to a point where a project was sitting there and you had a chair trying to make a casting vote, I would be sitting there saying, 'Back to the drawing board, folks, because if we have a three-three split we have not got the right project here'. So I think independence has been achieved.

Transparency is our absolute key above all else — that whatever their findings are are made public, we have access to them and should anyone of you be made Premier in 10 years time, or the relevant minister, we would come along and, if you have changed your mind and all of a sudden said, 'We are not doing Melbourne Metro now; we are doing the Doncaster rail link instead', we would come along and say, 'Why? The priority was X, and you have now changed against the priority. We want some very, very good reasonings as to why'. That flexibility is in there because I am sure I will come back and join you all in 10 years time for a hearing on another issue, and we will be sitting here saying, 'Oh my God, how wrong did we get that 10 years ago?', because the world is changing in a way that we cannot even begin to imagine.

Mr ONDARCHIE — We are still talking about desalination and myki.

Ms ROFFEY — Yes, and one day we will turn desal on and need it.

Ms TIERNEY — We might need it soon.

Ms SHING — I am going to hold you to all those comments about desal, Mr Ondarchie. I am going to hold you to every single one of them.

Mr ONDARCHIE — Desal mark 2 is coming up.

The CHAIR — Thank you, Ms Roffey, the committee appreciates your evidence this morning and the written submission on behalf of the Committee for Melbourne. We will have a draft transcript to you in the next couple of days.

Ms ROFFEY — Thank you for your time. I will send over to one of you the funding and finance document which deals with those value capture issues.

Witness withdrew.