C O R R E C T E D   V E R S I O N

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the Port of Melbourne

Melbourne — 30 September 2015

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Witnesses

Mr Peter Tuohey, President,

Mr Brett Hosking, Grains Group President, and

Ms Melanie Brown, Policy Manager, Victorian Farmers Federation, and

Mr Vin Delahunty, Manager, United Dairy Farmers.

The CHAIR — I declare open the Legislative Council's Port of Melbourne Select Committee public hearing. This hearing is in relation to the inquiry into the proposed lease of the port of Melbourne. I request that all mobile telephones now be turned off. I welcome Mr Peter Tuohey; president of the Victorian Farmers Federation; Mr Brett Hosking, grain groups president; Mr Vin Delahunty, manager of United Dairy Farmers; and Ms Melanie Brown, policy manager, Victorian Farmers Federation. I thank you all for making yourselves available to the committee this morning.

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 law; however, any comments made outside the precincts of the hearing may not be so protected. All evidence is being recorded and you will be provided with a proof version of the transcript in the next couple of days for any corrections.

The committee has allocated 1 hour for this session this morning, so I invite you to make a brief opening statement, and the committee will then proceed to questions. Thank you.

Mr TUOHEY — Thank you for providing the VFF with the opportunity to make a presentation to this public hearing today. The VFF has a keen interest in the operations of the port of Melbourne and the process for leasing it to a private entity. Victorian farmers produce 30 per cent of Australia's agricultural produce. The export value of our produce reached $11.8 billion in the year 2014–15, with much of this produce making its way overseas through our port.

In principle the VFF does not oppose the sale of the long-term lease of the port of Melbourne. The VFF wants the sale of this lease to be in the long-term interests of farmers and Victorians more generally. Cereal, grain, dairy, fruit, vegetables and red meat number in the top 10 exports out of the port of Melbourne. We want to ensure that agricultural industries and our growing exports are supported and continue to be competitive in a global marketplace. For this reason the VFF is seeking greater transparency and assurances around safeguards that will be put in place by government to ensure that the port of Melbourne retains its status as an internationally recognised, competitive and efficient port. We look forward to seeing a number of the safeguards the government has committed to contained in further regulations.

By embarking on a lease of the port, not only will the state government generate revenue from the lease agreement itself, it should also ensure ongoing maintenance and improvements to the port are driven through the future leaseholder. It should be the role of government to ensure that the leaseholder is incentivised to continue to improve the efficiency and productivity of the port. It would not be in the interests of Victoria for the infrastructure assets of the port to be run down by a private operator and handed back to the state at the end of the term of the lease in a degraded state. This has happened with other privatisations, such as that seen in the previous management of the Victorian rail network, and it would be detrimental should it occur in this situation.

The VFF wants to ensure that the fees and charges levied on users of the port are not increased under the privatised operation of the port. We welcome the commitment that the ESC will oversee the implementation of a cap on CPI and wharfage, channel deepening and other variable charges. While this commitment is not contained within the legislation for the sale, we would welcome seeing the commitment outlined in the pricing order of the port.

Rental agreements between the future leaseholder of the port and the stevedores which operate out of it will continue to be unregulated. This remains a concern to the VFF. Should there be substantial price hikes in rental agreements for port users, costs could be passed along the supply chain back to the farm gate.

With the port of Melbourne handling $92 billion worth of trade for the Victorian economy each year, the VFF firmly believes that there is a requirement for the revenue generated from the lease of the port of Melbourne to be shared between those industries whose products have made it a success. Specifically the VFF believes that the proceeds from the sale of the lease should be quarantined for reinvestment into agriculture and rural infrastructure.

The VFF is concerned about the capacity constraints of the port. Bay access on land transport links moving to an increased capacity of 6 billion TEUs will result in 10 000 extra containers being moved through the port in any one day. Government should be directing funding from these lease proceeds to develop up-linking infrastructure to support port growth.

We have suggested that a further fund for the future should be established. Such a trust fund should help revenue generated from the sale of the lease above $5 billion to be put aside for the benefit of future generations. Such a fund could be used for the development of improved supply chain efficiencies.

Inside the farmgate profitability is a key to the growth of rural communities. Further investment in road and rail functionality will help achieve this. Intermodal hubs, the use of high productivity vehicles, focused rail investment to capitalise and improve rail connectivity to the port, and return freight opportunities under an improved rail network would also help reduce supply chain costs and inefficiencies.

Thank you for the opportunity to present today. We are certainly happy to take questions.

The CHAIR — Thank you, Mr Tuohey. Would any of the other heads of the VFF like to make any opening comments?

Mr HOSKING — I will just open briefly. We certainly appreciate the time that you are taking to make sure this process is done properly. I just want to cite an example of what happened with rail in WA. It was leased out in 2000. They sold a 49-year lease and they sold the above track and below track — so the trains as well as the rail. The lease was sold to a consortium between Wesfarmers and Genesee & Wyoming. In 2006 it was on-sold to a consortium of Babcock & Brown and Queensland Rail, and above and below track rail was separated. In 2009 Babcock & Brown became Prime Infrastructure, which is now owned by Brookfield Rail. Many of you would have heard in the media that Brookfield is now looking to take over Asciano.

Apart from producing Brownlow medallists, WA grain growers produce about 40 per cent of the grain out of Australia. They pay the highest rail access fees of anyone in the country. Brookfield Rail own a monopoly. They are facing line closures in many of those areas, like Lake Grace, where Nat Fyfe comes from. It is getting tough for those growers. They are paying extra charges because of a deal done badly, so it is pretty important we get this deal done well.

These public-private partnerships have not always been done well in this country, and I think this is an opportunity, with a bit of scrutiny being placed on it, to actually get it right. That is we are after today.

Mr DELAHUNTY — I would simply make the point that, from a dairy industry point of view, our concerns have been expressed through the VFF submission in the questions that have been asked. For us the process is some significant unknowns that are to be resolved, and that is a part of the process that we were encouraged to be involved with.

The CHAIR — I thank you for the very comprehensive submission that has been provided by the VFF. It goes very clearly to your key concerns and highlights them particularly well. Can I start by asking about the issue of the unconstrained or unregulated rents which you referred to in your opening statement and the flow-on effects, and Mr Hosking refer to what happened with rail in WA. Is that an area that the VFF believes should be subject to regulation, should be brought within the scope of the regulatory framework that is proposed?

Mr TUOHEY — Certainly. There is no doubt about it. I think the pricing order covers off on other charges. We do not see any reason why, and I think there is already other examples where that pricing order could be used to help regulate the rental charges. We do not believe that is an impediment to the leaseholder because it will give certainty to the port users around the charges in the future, and the action will help that company that is owning it recoup some of its added costs, because it will see what it has got pay into the future, it will have a consistency in pricing arrangement. The ESC will still oversee the charges, so it will allow for any increases if there is a reason for it. It certainly will not make it difficult. It will just put some certainty in, level out some of those pricing increases.

We have real concerns around those rental charges, and they are between 12 and 14 per cent of the total charging. It could easily add up to quite a bit in a fairly short time frame. Long-term rental charges — lock them in, put them under the guidance of the ESC. If there is a need to change them, the ESC can probably make a recommendation on those lines.

The CHAIR — You referred also to the proposed CPI cap on regulated services — the 15-year cap. Does the VFF have a view as to whether CPI is the appropriate basis for capping those charges, whether the retail price of bread and milk is a reasonable basis to tie those service charges to?

Mr TUOHEY — We have just had a very interesting discussion on CPI. There are several types of CPI. The VFF position is CPI overall is probably not a good guide on pricing. Market pressures probably are a better way to look at pricing arrangements, but I suppose in a normal regulatory fashion you need some sort of guidance, and I think CPI would be the top end. I think it is, again under the oversight of the ESC, looking and carefully assessing those charges and we would sooner see the actual costing, the actual increases, because we live in an uncertain time. Certainly markets are very volatile. We know what is happening with this. There are certainly some big opportunities out there with the Chinese market, and they could go both ways. We have got a huge range of opportunities of other overseas markets developing. We do not know what is going to happen in the future. To set up that CPI, which is mostly based on what happens in the city and not in the country, probably makes it a bit difficult. We would probably look to a lower pricing arrangement under CPI.

Mr HOSKING — If I could add to that too, and I endorse what Pete said that competitive market pressures are probably the best way to determine prices, but the reality is we are selling off a piece of essential infrastructure, and it is a monopoly. It is currently a monopoly run by government and it will be a monopoly run by a private operator, so we will not see those competitive market processes.

We have a comparative advantage at the moment over other states. When our Goulburn Valley dairy processors load up their trucks with milk products for export they get to the Hume Highway and they turn right at the moment. We do not want them to turn left because it is cheaper, and that is what we have got to maintain. The only way we can do that is making sure that there is appropriate regulatory framework around the CPI, around the pricing, to make sure that there is an incentive for those guys to come south. There is even an argument, given that we know container volumes through the port are going to increase in coming years, CPI is pretty generous to a new operator. Possibly we should be looking at a CPI minus 20 per cent or something like that to account for the natural increase in volumes that is going to come along. The CPI is where it is at the moment and I think that should be treated as a cap, not as a set amount that it should be increased.

The CHAIR — With the CPI minus 20 you would like to see something that reflects a real reduction in real prices because of efficiencies through volume.

Mr HOSKING — Yes, and it creates an incentive for an operator to not be lazy, to come in there and actually invest in the port and build capacity and increase throughput, improve those truck turnaround times, get rail access into the port — automation and mechanisation, all those things that make for a competitive and efficient port. Those incentives, if they are there, then I believe a new investor will jump at the opportunity of growing that port. There is some money in it for them, there are some efficiencies there for the growers, for the people of Victoria, and it is a win-win, and it is how these public-private partnerships really should be working.

The CHAIR — I also take you to the issue of compensation, which you refer to in your submission. On page 12 you have stated:

> The VFF is concerned clause 69 of the bill allows the government to negotiate the highest one-off sale price by limiting competition.

Can you expand on that little, please?

Mr TUOHEY — Yes. We believe in a competitive arrangement with a port structure. If there is a need to increase the lease somewhere along the line, and that could happen anywhere in the next 50 years, we do not believe there should be any compensation paid. That port now should be fully utilised between 2025 and 2040. The port operators there should be able to lock in their customers in that time frame. If they are not doing that, as a commercial business that is operating, they are doing something seriously wrong. We do not see the need to compensate the port leaseholder in any way or means to benefit them. I mean, that is just like giving them a free handout. They are not doing their job. They have got plenty of opportunity to make sure they manage the business, as we all do when we operate commercial businesses, and we do not get any compensation if somebody else opens up a business up the road. It is certainly going to be a long time before the next port is built. As I said, you have got a 10 to 15-year time frame before a port will be built — certainly time for the current operators of the port to lock in their customers and look after themselves. We totally oppose that compensation.

Mr MULINO — If I can just go firstly to some of the pricing issues, we talked a bit about the CPI cap for 15 years. Can I just get your view on the fact that having a CPI cap for 15 years is a much more stringent control than is currently in place, which is a price monitoring regime, and is a much more stringent control than is in place in other ports? That would be a step in the right direction, I would imagine, for people who are using the port.

Mr TUOHEY — We certainly see it as a step in the right direction, but under restraints, and certainly under the control of the ESC, because if current economic circumstances say there is no CPI or nowhere near, the port operator is not operating in an efficient manner. Again we do not need to give them an opportunity to increase prices for any reason at all. This is a commercial arrangement between the government and the port operator. They should operate on a commercial arrangement to try to give them a freeze on CPI. If it is not needed, it is not important. We certainly understand that and we certainly understand the ESC needs to control and monitor the costs, and that is done on a five-yearly basis.

I do not see it is totally necessary. It is another free kick to the operator I think. Under a commercial arrangement the business should be running it as efficiently as possible. That is probably a little bit like Brett said, it could possibly be used as a cap, not as a baseline.

Mr MULINO — Just using that line of reasoning, following on from that period there will be a building block approach with a five-year period — CPI minus X, where X is some kind of assessment of efficiency or productivity. That broad framework is one that you would support as a sensible way of regulating a monopoly asset?

Mr HOSKING — I think you have hit the nail on the head. Ideally a competitive environment does all that for you. We do not have that. It is a monopoly asset and therefore we have to put in place the appropriate pricing framework that ensures it is not abused as a monopoly — that it is actually treated as a competitive environment where efficiencies are created where they can be. The last thing we want is for a super fund to come in there and make their lazy 6 or 7 per cent and just be happy for the next 50 years. We want someone who comes in and wants to run a port and wants to run the most efficient port. That is the environment we want to create, so we have to make sure that the pricing framework is such that they know that is what they are stepping into.

Mr MULINO — And having that building block method, which pushes any price increases down to what is efficient and justifiable, would put us in a better position in terms of regulatory framework than other ports, which might just have price monitoring or weaker regimes.

Mr HOSKING — Yes. Let us be the state that does this right. Let us be the state that leads by example so others come along and say, ‘You know what? Victoria did that public-private partnership. They did it really well. Let’s be like them. Let’s be that state’. That is what we are saying.

Mr DELAHUNTY — I simply make the point that what we have got we regard as an efficient internationally competitive port now, so we are building from an incredibly strong base. We understand the government’s commitment is to enhance that position, so we have got the opportunity to get this right for the users for 50 years or 70 years or whatever the period of time might be.

Mr MULINO — We were in Shepparton yesterday and we heard from some producers who could choose between Botany and Melbourne, and so we want to make sure that our regulatory regime is as strong as possible relative to other ports which might be competing.

Mr HOSKING — And if we end up seeing an inland rail, then that choice is going to get stronger for those guys, so we need to get it right.

Mr TUOHEY — I think the point that both Brett and Vin have made is that is important to make sure those competitive structures are there and not totally restrained. I can certainly see that what you are going to put in place gives a bit of surety to the owner of the lease, but I think you need to retain that competitive pressure there as well, I think trying to balance that act out so everybody is a winner, but that it does not make operators lazy.

Mr MULINO — Have you seen the DTF submission or that part of it where it has a table comparing all of the pricing arrangements across jurisdictions?

Mr TUOHEY — Yes, we understand there are certainly some different pricing arrangements at Botany and Brisbane as well, and the port of Melbourne is probably in the middle range. Why not have the port of Melbourne at the best range, the most competitive? It is certainly the biggest operator. It has certainly got the most throughput. Those throughputs should make sure it the most efficient and most cost-effective of all the ports. Again, it is like Brett said, we want to see product coming out of southern New South Wales into Victoria, as it already does, and not heading somewhere else.

Mr MULINO — That table also clarifies that we are going to be the only one with a building block efficient costs model, which will be a real advantage for users.

Mr HOSKING — That is part of it. We need to make sure that we are the one that does that. We need to make sure that these things are in the legislation and that is what goes forward.

Mr MULINO — One other aspect that you and others have raised is this issue of rents. I think there is a general proposition that where possible governments should let markets resolve prices; that is the general proposition. Clearly where there is market power on occasion economic regulation is justified, and we see that in the case of certain utilities and we are going to see that in the case of other prescribed services in the port — 86 per cent of revenues will be covered. With rents, there have been some people who have alleged that there is market power with some or potentially all of those arrangements. Would you support some kind of review of the extent of market power to determine whether we should?

Mr TUOHEY — Certainly, because you just need to look back to the recent DP World negotiations. They were spread out over quite an amount of time and it actually became very political around those decisions. Putting a bit of regulation, a bit of certainty around it, would relieve some of the angst from some of the port operators so they know where they are into the future and they know that they are not going to have this huge rental increase, which is going to impact upon their businesses. They have little ability to recoup huge rental increases. It needs to be balanced out. You have got a long-term lease in place, which is certainly is good for that. You have got the option of another 20 years, which is also good for that. Those sureties should help to build the regulation around trying to make sure there is a framework there to make sure rental increases are under review but not allowed to be pushed up through huge spikes where it is going to impact upon their businesses.

Mr MULINO — Just as a general proposition, would you agree with the proposition that you would want to see a demonstration that there is market power before there was any kind of regulation? You would not want the government just coming in and regulating.

Mr TUOHEY — In a normal rental situation most businesses renting property have a review process, and that review process allows for rental increases. Market power should certainly be part of that determination, but we do not want to see any huge spikes in rental for the operators. Again that is going to impact along supply chain costs. Even though it is only 12 to 14 per cent of the costs, it still can increase significantly when you look over a large number of years.

As farmers we operate in a global market. We have no control over any of our prices. We are price takers, and the markets continually go up and down. The only thing we have got control of and say over is to try to make sure that we have got a very efficient supply chain, and we need to keep our costs to a minimum. If we were a Coles or a Woolworths, we would certainly make sure those costs were under control. I think you could use that as an example. We need to be efficient. We operate on very low margins and we do not need something that is going to push a spike into the costs that come back to farmers, because, as I said, we have got no control over it. Once it is done, it is done and we bear the brunt of that decision.

Mr HOSKING — I think on that same point, Daniel, it is worth remembering that there is market power. It is a monopoly asset. Market power exists there; it is whether they choose to exercise it or not and that will be up to the lessee as to how far they want to go. To say, ‘Wait until there is market power’ — we already know it exists.

Mr BARBER — It is your testimony that the port of Melbourne is internationally competitive. Is that what I heard earlier?

Mr TUOHEY — Yes.

Mr BARBER — You are happy with the level of competitiveness in the port at the moment, albeit being a government monopoly?

Mr TUOHEY — You can always improve the operation of any business. Every business should always reassess what it is doing. The one point I will make around the port of Melbourne is it is a government-owned entity and certainly governments do not do a bad job. But in a commercial reality, when it is your dollars, you can always look at and do things a little bit better. As I said, we do not oppose the sale of the port of Melbourne as long as it is run efficiently and there is a proper regulatory framework to make sure it operates efficiently and the supply chain costs do not go up.

There is always room for improvement, and I see the port of Melbourne can still grow and certainly it has got the opportunity to grow. It is only at 2.5 million TEUs at the moment. It has got the opportunity to grow anywhere from 6 to 8, so it has got huge capacity. It needs the money invested in it. It needs government investment into other infrastructure around there to make sure it reaches that capacity. That is the government's job — building the capacity around the port — probably not managing the port.

Mr BARBER — Yes, it is my dollars, so what I am asking is: do you think the current model, with the port owned by the government and regulated in the way it is, is internationally competitive? That is what your friend from the dairy industry said; I just want to establish that that is the VFF position. We are not sucking any fancy profits out of the port now, are we?

Mr TUOHEY — No, the port charges now are lower than in other states, and that is because of the government regime, because it has got some restrictions there. The port can improve its profitability and capacity under a commercial arrangement. I certainly see that as the way forward. My understanding is both the coalition as the previous government was supporting a port sale for that very reason and the current government is doing the same. We, as farmers, operate commercial businesses. We know and understand how important it is to run a commercial business; how, when you are running that business, you look at every little aspect. It is your dollars. A commercial operator is using their dollars; they have got to be very competitive. They have got to understand you can improve the capacity and improve the productivity of a port in a commercial arrangement. Again, it is up to the government to manage infrastructure around the port and right across the state that will help make that port more competitive.

Mr HOSKING — If I could add to that too, Greg. You raise a point in that it is a monopoly already, but it is a monopoly owned by a government that should be here for the people. They do make money. It does contribute towards Treasury at the moment, so I guess the incentive to sell the lease or pass on the lease to a commercial operator is that there is no doubt that a commercial entity will run a more efficient, nimble and maybe even more innovative operation than what government will. That is not knocking government, but they just have those commercial incentives built in. The problem is it is still a monopoly; so we need to make sure that whoever that commercial operator is operates within a framework that encourages them to be nimble, innovative and as efficient as possible without taking advantage of a monopoly position.

It is not as simple as just selling it. I read some of the transcripts. One of the guys from Treasury was in, and it might have been Greg who asked whether the port should be sold or not. What was it? I think you might have asked something along the lines of, why sell the port? I think the answer — and do not quote me exactly — was around it being a good chance to get the money. If the money is the driver, then we are doing it wrong. Getting an efficient, effective and world-class port should be the driver. If we make some dollars at the end, that is great; but let us get the port right and then work back that way, not work from the dollars back to the terms.

Mr BARBER — In fact that was exactly the point I was making, Brett, which is why it was my first question to the first witness at the beginning of this whole process. Just coming back then to the dollars. You have got 15 different questions here for the government. I am not sure what your bottom line position is on any of these 15 matters, but let me just ask you one or else I will run out of time. You said that the money from the port sale should be quarantined, I think you said, for support for farmers. Of course it is not just farmers using the port, but I think you might have been referring to the broader logistics system that feeds into the port. In terms of the purported $6.5 billion or more sale, what proportion of that do you think should be quarantined for reinvestment into infrastructure that supports exports and imports through the port?

Mr TUOHEY — There is already some predicated for the transport infrastructure fund. As in my earlier address, what is happening around the port precinct will be the limiting factors around getting port capacity. We see railway crossings as probably not a high priority. We see trying to improve the rail and road network into the port, so you do not have that port congestion; we see that there should be some funds going to rural Victoria, so we have got no limiting capacity in trying to produce what we do and do it better; and with some infrastructure investment there so we can put more product through the port. We want to increase what is going through the port but we want to make sure there is adequate money invested around that precinct, because there are a huge number of congestion problems and there will be when you get up to that 6 to 7 million TEUs.

Mr HOSKING — If I could just add to that, too, we talk about the port as part of a supply chain, and we use the word 'chain' very deliberately, because it is a chain. We know that saying, 'A chain as strong as its weakest link'; well, the weakest could be the port one day, it could be our rail system, it could be our road network. I drove into Melbourne at 9.30 last night and I was coming in past Essendon Airport on the freeway, and do you know what? If you tripled the number of trucks on the road at the moment, then you would have peak hour at 9.30 at night, and that is what they are talking about as capacity at the port.

We actually have some real challenges in our road network, in our rail network, to actually meet these capacity estimates that we are seeing here for the port. So we need to look a little more broadly than just support in determining capacity; we need to make sure our supply chain is up to the task as much as the port is. It might take all those dollars; it is a big task.

Mr BARBER — So you have a firm position that a percentage should be allocated. I think Mr Hosking right there at the end suggested that that percentage might be 100 per cent. What percentage of this money should be allocated to these needs that you have identified before the coalition and the Liberals and The Nationals and even your new-found friends, the Greens, decide how to vote on this bill? What percentage?

Mr TUOHEY — We are not the department of treasury, and I think the department of treasury and the department of transport are the people to design and allocate the funds. We certainly want to make sure there are no gaps in that supply chain. As Brett said, it is important. We do not want to see grumpy people in Melbourne because they cannot get in and around the city because there are too many trucks and things like that. So for us to decide on a position, we might want the hundred per cent, but we certainly want to invest well and to make sure it is very efficient. So if is the 5.5, 6.5 billion spent on transport infrastructure, all well and good. We are certainly happy to see the whole lot go in that direction, and whatever bits and pieces it may take to do that, that is what we want.

Mr PURCELL — Thank you all for being here. Mostly to follow on from Mr Barber's point, I am a little confused because we have now got to a position where we are saying that about 100 per cent of the funds should go to infrastructure. If my memory serves me correctly, it was only about a month or six weeks ago that the VFF were hand in hand with the Premier saying how great they were getting $200 million, which they thought was a great result. Have I missed something in there somewhere? Or have your members come back and said, 'You've really sold us a bit light'?

Mr TUOHEY — No, I think that presentation was certainly part of the process. We have certainly been in discussions with Treasury around what we want around the sale of the lease of the port of Melbourne. We certainly had areas which we needed addressing, which are around the competitive nature of the port and the supply chain. Certainly we asked for the government to make sure they invested in rural Victoria. They have offered a couple of hundred million dollars investment specifically for rural Victoria, which is not part of the transport infrastructure fund. We are seeing the transport infrastructure fund as going basically to city transport, and we wanted to make sure something went to rural Victoria. So we certainly again leant on the government because we see the freight rail as a very important part of that network to make sure the port is running efficiently.

We have got a commitment out of the government to make sure that that is done properly because, again, supply chain efficiency is critical. We would expect the government to predicate some or all of that transport infrastructure fund to make sure there are no weak links or bottlenecks in the supply chain to the port. You want it to run properly? Again, supply chain efficiency. It is no good having a great port if you cannot get the stuff in and out of that port. So the exact dollars — whether it is 100 per cent or 50 per cent; I think it is important that the department of transport does the work and the department of treasury comes up with the numbers — there is going to be a pretty big cheque there. We do not want to see any shortcomings. We want to see the major priorities addressed, which are getting freight in and out of the port — no bottlenecks — and making sure it runs efficiently.

Mr HOSKING — I will just add, too, that my '100 per cent' comment was a little tongue in cheek, so I will take that there. And the $200 million over four years, that is a great thing for agriculture, but it is four years and we are here talking about a 50-year lease. So putting it in perspective, we have 46 years still to deal with, and that is the challenge ahead for any government.

Ms SHING — We may all be back again.

Mr HOSKING — But I think what needs to be done and perhaps may have been done but we are not seeing it clearly at the moment is that some of that work around understanding the supply chain — not just supporting the capacity of the port but the capacity of the supply chain. And do you know what? These partnerships really work when you have a private organisation come in, they go into partnership with the government and the private organisation has some obligations and some incentives around what they are going to do. But do you know what? So does the government. The government makes some commitments around keeping open the supply chain, around managing the ports and the boats coming into the port and the bay and how all that is going to work. You have to have a bit of vision and a bit of planning, and I would just like to see the detail of that vision and planning done before we go out to tender.

Mr PURCELL — The second question I would to raise is — using your figures, and that is probably as good as anything — you say in point 3 on page 3 that 48 per cent of the state's total export is agriculture. Knowing the agriculture industry very well — we are talking about doubling and trebling what is going through the port — and looking at the future, where do you think the doubling and trebling of agriculture is going to occur?

Mr TUOHEY — Certainly dairy has a huge capacity to increase. Over a large number of years, dairy's production has dropped because of financial reasons, because the market was not good enough. So there is certainly a big — possibly up to 30 per cent, from my understanding — capacity in dairy. Grains also has that capacity to increase as well. Unfortunately sometimes we have some drought years which impact. I always cite the example of Ouyen in 1982, which had 82 ml of grain season rainfall. It grew nothing — a dust bowl. Most of us in Melbourne have seen that dust bowl again. Thirty years later the average there was 1.7 tonnes. So grain-growing capacity throughout the state of Victoria has really increased — rotations, technology to improve that. So there is certainly quite a capacity for grain to increase.

With the development of new markets, intensification, livestock, red meat is probably going to be one of the boom industries into the future — not just relying on China but you have Middle Eastern markets, you have other Asian markets. There is a bit of sunshine at the end of the road now, so again there is a capacity there. There are cross links between all of those industries, and they will compete and grow, and if they can see some better returns, farmers can increase productivity quite remarkably, quite quickly.

In livestock industries it is really quick. You can double your numbers in a matter of two to three years, so you have got really good quick capacity there. So, if we keep our costs down and we continue to pick up markets, we have got great opportunities. It is not hard; it is not out of the realms. When we look at the capacity at the port — it has 2.5 million now, 7 million in the future — there is a capacity there for tripling it. I think doubling it is probably more realistic, but we have other exports as well.

Mr HOSKING — But, James, if you are suggesting that some of the port proceeds goes towards research and development in agriculture then we are fully supportive of that as well.

Mr DELAHUNTY — I make the point, following on from what Peter said about our international markets opening up to us in a way that we have not had access to in the past, that the prospects for agriculture broadly — dairy is obviously just one of those — are very encouraging, so we think the potential is there for those numbers to be hit.

Mr PURCELL — I would agree that certainly the markets are there; do not get me wrong. I do not know if the VFF has done any analysis of it though, but if you are talking about doubling the population of Melbourne or more, they have to be fed. How do you get enough left over after all of that to double or triple your exports? I just wonder whether the VFF has ever done any research on what it realistically thinks is going to be left over to export through the port of Melbourne.

Ms BROWN — We have not done figures to that extent based on the population.

Mr HOSKING — Speaking for the grains industry, the amount of domestic consumption by people is a relatively small percentage of what we produce. Dairy cows are a different animal. We have quite a significant amount go down the mouths of dairy cows, but the vast volume is exported.

Mr DELAHUNTY — What is happening in a lot of sectors is that the product mix that we are producing is changing as people's tastes and diets change as well, so what we are producing to be consumed today is not what we will be producing in 20 years time.

Mr TUOHEY — I think the capacity of farmers to outproduce the needs of Melbourne is going to continue to grow. I do not think that Melbourne will ever rely on a domestic market in Australia, not unless we have a huge population which would have to be equivalent to one of the small Asian nations. We are just never going to get there. We will always rely on export markets and we always need to rely on export markets. We want to be able to have a strong domestic demand as well as a strong export demand. That helps remove some of the risks so that we are not under the pump from some of the big supermarkets and some of the domestic markets. You get ebbs and flows where things change around the world, so we do not want to be locked into one market, whether it be domestic or export.

Mr ONDARCHIE — Brett, in the VFF's submission you note your concerns regarding the lack of detail in the bill and the lack of a detailed business case around this legislation. I thank the VFF for your submission; there is more detail in your submission than there is in the legislation. But putting that aside, one of the things you said in your opening was that you did not want to see the port of Melbourne abused as a monopoly. Given that Mr Mulino spoke to you about the 86 per cent of the charges that will be prescribed, I want to talk about the 14 per cent that is not — vis-a-vis the rents that are open to whatever the new owners to decide what to do with. So if there is a 70-year monopoly on the port of Melbourne — —

Ms SHING — Fifty-year lease, Mr Ondarchie.

Mr ONDARCHIE — Fifty plus 20 is 70. I can get a calculator out, if we need to.

Ms SHING — Are you recycling your lines from yesterday now?

Mr ONDARCHIE — If there is a 70-year monopoly on the port of Melbourne where the new lessee has unfettered ability to charge whatever rents they want should they choose to do that, what could the potential flow-on effects be for the farmers if that was a case?

Mr HOSKING — I guess that is why we are here. One of the great things about a supply chain is that it is this big long chain and everybody passes their costs and their charges along that chain and it ends up with the grower who is at the bottom of it. One of the challenges is that with respect to any changes to pricing at the port of Melbourne the farmers end up paying. We are at the end of that chain. We are very proud of the fact that we produce something. We are probably one of the few industries in this country that could genuinely say that at the end of the day we produce something. We plant a crop and at the end of the day we have got something there that has come from nothing effectively. We are very proud of that, but part of being in that position is that everybody else along that chain can pass those costs down. We are very concerned about that. Any lack of regulation on monopoly costs is of huge concern to our growers. The mums and dads who are out there at the moment cutting crops for hay because it is so dry are very worried about any extra charges that will be passed along that chain and landed with them. We do believe there is a real argument for some oversight of all the charges that are levelled at the port of Melbourne.

Mr TUOHEY — Craig, I just want to answer that as well. It is an important point. We need that regulation to control those charges. The end result, if there was no unfettered control over those charges, growers would end up putting their stuff through the port of Geelong, the port of Portland and the port of Botany. Unfortunately the dairy sector has a huge investment around the port of Melbourne and they would bear the brunt of it. It would not be good and the dairy industry could get very angry if there were no constraints around those things.

Mr ONDARCHIE — Also in your opening, I think it was you, Brett, who said that you want to make sure that this process is done properly.

Mr HOSKING — Yes.

Mr ONDARCHIE — I could not agree with you more. We do not want Victorians ultimately who buy their goods, or overseas, to pay for charges due to a deal done badly. I could not agree with you more.

Mr HOSKING — I think that is why we are all here today, isn't it?

Mr ONDARCHIE — Indeed. The Treasurer in Parliament just last month was beating his chest saying that the Victorian Farmers Federation supports the legislation. He was waving that about as if he has got a new-found friend. But I am not hearing that you support the legislation in its current form today. So I am asking you: has the legislation that is before us today — the one that we are going to be asked to vote on at some time in the future — convinced you enough that it should go through in its current form?

Mr HOSKING — We need to see the details attached to it. We need to see the pricing order that we have heard about. As we have said, we would like to see a business case. We would like to know that they have done the analysis of not just the port capacity but also of the roads and rail that feed into it, and that they have looked forward in terms of what investment is going to be required to ensure that that infrastructure can support the port and support growth and support the efficiency. We know that not many trucks with containers on them travel over level crossings. Whilst I think that it is a great project and if I lived in Melbourne I would be all for the level crossing removal project, it is not actually going to help our supply chain a hell of a lot. So we need to make sure that we are not neglecting the supply chain and that it is part of the process. This might have been done — I am not saying that it has not been — but it is just not visible. We can only deal with what we can see.

Mr ONDARCHIE — Is your advice to me, as a legislator who is going to be asked to vote on this, that I should get a lot more detail before I put my name to supporting this bill?

Mr HOSKING — I cannot necessarily put myself in your position, but I would like to see more detail. As somebody sitting on the sidelines with a vested interest, someone who will pay any increased charges or alternatively will suffer the challenges that I will be faced with if I cannot physically get my product in or out of the port, then I would like to see a bit more detail personally.

Mr ONDARCHIE — I would too.

Ms SHING — Thank you very much for the submission that you have provided as part of the committee's deliberations and also for your oral evidence to the committee this morning. Just picking up on one thing that Mr Ondarchie raised that you responded to, Brett, the pricing order is actually online so you may wish to have a look at that and to provide any sort of further written comment on notice to the committee, just so that you have got that information.

Mr HOSKING — Okay, yes.

Ms SHING — I wanted to touch on one of the issues around building capacity. We have all agreed that building capacity is a crucial part of making sure that we increase efficiencies, that we incentivise the best use and streamlining of the existing infrastructure, and that we drive down supply costs for the next 20 to 30 years. Increasing capacity is something that is going to incentivise the lessee through lower rent increases where possible. We have seen that DP World, having entered into a new 50-year lease after an agreed negotiation outcome, has also invested in on-dock rail that will in fact take about 20 000 trucks off the road per annum, I think, which is all about groups participating in a collaborative effort to streamline the delivery of goods to market. What is your position in relation to the work that has occurred to increase access to say West Swanson Dock in the DP World situation and how that can continue under a proposed lease and the terms set out in the bill?

Mr TUOHEY — Yes, we support all of the work done. Probably one of the issues — and I am not 100 per cent sure on the details — is that I think for Webb Dock there is no rail access. It is going to be a fully automated dock, and it is going to use trucks. Whether it is an intermodal hub again — we have a preferred position that has seen rail used as much as possible, because it does release congestion and it does take heavy haulage trucks off rural roads, so it is important for us. To put those efficiencies in and build those efficiencies in, because Webb Dock is a shining light — it is going to work fantastically, it is going to increase capacity — but again part of that process should be making sure rail gets as close as possible, and if the automated process could take the containers off a train, that would be fantastic. Building a loop in — I am not the engineer, I am not the department of transport — I think was one of the missing bits that I have seen.

Ms SHING — One of the things that you may be aware of is that there will be a requirement for rail to be factored in as part of the bid process for any interested party to the tender. Do have a position in relation to the importance of that being part of the transaction?

Mr TUOHEY — Rail, as I said, has always been something the VFF has supported, because again it is a very efficient supply chain. It removes trucks off roads, it certainly removes road congestion, and we have a real issue where we have country roads where there is an increasing number of the big trucks. We want to limit that.

Ms SHING — You are telling me!

Mr TUOHEY — We want to put as much on rail, and less greenhouse gases — it is a good story all the time. Every time you put something on a railway line, it says 'better' and we will support it 100 per cent.

Ms SHING — Brett, you look like you want to add something.

Mr HOSKING — Yes, I will add to that, because it is a critical aspect. Having rail onto the dock — I do not know why the heck we have not got it yet, to be perfectly honest. But keep in mind that we are talking about tripling the capacity of the port here. From what I have seen — I am not going to disparage city people, but they do not like waiting at rail stations too long either for a freight train to go through. So we got some real challenges around timetabling and getting the trains through the metropolitan rail traffic as well. As I keep saying, this work might have been done. This modelling around the supply chain and the way it feeds in, particularly that last mile, might have been done, but we have not seen it.

Ms SHING — And last mile is in fact one thing that I think was picked up, Peter, when the Premier and you and the regional development minister, Jaala, came down to my neck of the woods in Gippsland, to Bunyip, to talk about the $200 million agriculture fund. It was the first mile, last mile that was actually prioritised as one of the key issues for freeing up supply chain efficiencies.

Mr HOSKING — The first mile is pretty darn important too, I can tell you now.

Ms SHING — Yes, that is right. It is last mile. I want to talk about rail further in terms of the investments that have been made more broadly. Peter, I think you touched on the transport infrastructure fund. We have got the Murray Basin rail project, which is $416 million, and the $500 million Regional Jobs and Infrastructure Fund, which includes the Future Industries Fund to maximise technology across food and fibre amongst other industries, and the $200 million ag fund. There are effectively lots of different buckets from which money for regional spends can come. Is it fair to say that in terms of the spend on infrastructure for the purposes of the level crossing removal, that that then is arguable as freeing up money in the budget for other regional spends in future years?

Members interjecting.

Ms SHING — Do you have a position on that as far as general revenue is concerned and spends in future budgets?

Mr TUOHEY — I think we are supportive of any money that is spent on regional and rural infrastructure which promotes productivity and keeps trucks off roads and puts freight on rail. The decisions around city rail crossings are not a big winner for Victoria. The Treasurer has come to us and said, 'We're doing a fantastic job. We're going to take freight off the roads, we're going to fix all these rail crossings', and I said, 'Sorry, mate, I can't sell it. It's not a big winner'. What you need to do, and what we have said before, is invest in rural infrastructure — roads and rail, improve that supply chain, make it very efficient and very safe.

Ms SHING — Like the $43 million country bridges strengthening program.

Mr TUOHEY — And again, that is why the infrastructure fund, the investment in rail, is critical. I have talked in the opening statement about things we can do into the future, which is utilising that rail even more — return rail, high-productivity vehicles to shorten the time of heavy trucks on road, particularly at harvest times — again less trucks tipped on roads, whether that be in the city or the rural areas. Again our focus is making sure the supply chain is improved. Rail crossings: if it is on the way in and the trains have to slow down with freight trains, yes, we will support those on the way out for the suburban people, for Melanie. It is probably not our priority.

Ms SHING — Finally, just in relation to the referral of the second container port location to the independent body, Infrastructure Victoria, do you have a position in relation to that?

Mr TUOHEY — The second port is probably not a huge issue. In all reality I have looked at and been out to the port of Hastings, and I have had many arguments to and fro. I have sat on the Victorian Freight and Logistics Council, and I have had so many arguments. I think the government of the day is going to make a decision. To my mind — and the VFF really has not got a solid position — the western side is much more reasonable than Hastings. Hastings has got so many limitations and so many cost constraints.

Ms SHING — Infrastructure Victoria taking that decision as opposed to the government of the day — what is your view on that independent body making that call as opposed to it being a political decision?

Mr TUOHEY — That is probably Infrastructure Victoria's job, and like-minded bodies need to put submissions in. It needs to be a very sound-based decision because you have a whole lot of constraints, and that includes port deepening and shipping into the future. We know that Panamaxes are going to change in size. There is a whole number of things, and we have not done the analysis on it. That is my view only that the port of Hastings will not work. I have been there, I have listened to the arguments from both sides and I have seen where the infrastructure is and what the cost is. The western side of the city is where it is suitable at the moment. In 30 years time or in 10 years time it may be different. Technology changes. The world changes.

Mr DELAHUNTY — If I could just add to that, Chair, the VFF submission does talk about the need for there being some capacity for the second port mechanism to proceed. There actually needs to be some kind of mechanisms that allow decisions taken to be enacted. From a dairy industry point of view, as Peter said, we are locked around our infrastructure which is built around the port of Melbourne. The efficiencies that need to stay within that transport system are essential to our competitiveness.

Mr DRUM — We had some experts in yesterday talking about the current growth of 6 per cent of our containers going through the port and that it may be dropping down to 4.8 per cent into the future. They have organised their figures on 4.8 per cent growth continuing. That would see the port of Melbourne max out at capacity in around nine years time.

Mr HOSKING — What is capacity?

Mr DRUM — Exactly. What is capacity? We have had people from Victoria University who have had a lifetime in the ports, shipping and trade industry sitting where you are sitting two weeks ago. Due to world's best practices and considering the key metreage around the port of Melbourne — limited by key metreage — they put the maximum at 5.3 to 5.5. Everybody effectively says that the port will max out in 10 to 25 years time. The only people who are different to that are the Department of Treasury and Finance, which has said that it is going to be 35 years and that we do not have to worry about it. Irrespective of when it maxes out, does it worry you that there is no provision for the development and the building of a second port when everybody knows that a second port is going to be needed within the term of this lease?

Mr HOSKING — To be perfectly honest with you, Damian, it worries me that we have not got that number right yet. I think we should know. The work should have been done so that we could quite clearly say, 'X is the capacity of the port. The limiting factors or the chokepoints are the road network feeding it, the rail network feeding it, getting the ships in and out of the bay, managing the traffic flow, the key metreage'. Nobody seems to be coming up with a clear number and a clear reason. I think that is part of the work that, if it is done, we need to see, because we need to know that. It is pretty critical around the terms of a second port.

Secondly, you are right. I think we need to be planning for that second port now. It might surprise you, but you cannot actually build a port overnight. You cannot put a front-end loader on the beach and whack a few containers on a boat. We actually need to be doing that planning now so that, if nothing else, we know where we are headed, we know where we can start building our supply chain networks — our roads, our rail — and we know where the access points will be required in the future and we can actually do some real forecasting as to the time frames involved.

Mr DRUM — Is the VFF aware of the constraints that the compensation clause in this legislation are going to put on the development of a second port and the operation of a second port?

Mr HOSKING — It does not worry us if we have got the modelling right — if we know the detail exactly and we can be sure of it. But at the moment I do not think we do. I think at the moment the compensation is a real concern.

Mr DRUM — Have you played out a scenario in your own mind about what the capacity might be and what happens practically as we move towards that capacity? We understand that we need 10 years to develop a new port somewhere — Bay West, Hastings; it does not matter where it is. Have you worked it out in your own minds how this is ever going to manifest itself?

Mr TUOHEY — Damian, I think the capacity issue is a big issue. Certainly we need the foresight to make sure we are going to build that second port. The compensation issue does not really matter because we are actually going to run out of capacity before this compensation needed to be paid, I would have thought.

Mr DRUM — I do not understand that, Peter.

Mr TUOHEY — We are looking at 2035 to 2040 before the need for another port.

Mr DRUM — Sorry?

Mr TUOHEY — From my understanding, industry tells me that it is 2035 to 2040 before we need another operational port, so we have not got a long time to do it. Already the planning has been in place for the port of Hastings for a long time. I am not sure where the planning for Bay West is at. Certainly we need to build that capacity in there. As I said regarding the compensation, the port will reach capacity. The owners will not have to pay compensation if they are fully operational. They cannot squeeze any more containers out there. Certainly we would hope that supply chain efficiencies will keep improving that capacity, but there will be congestion and there will be severe problems when we get to that 2035 or 2040 period.

Mr DRUM — Peter, when it does max out and the second port is developed and built, are the ships going to stop at both ports? Evidence has been given to us by everybody who understands shipping that the ships will stop once.

Mr TUOHEY — The government or a commercial private operator would be expected to build a second port, so the shipping would go to the port of Melbourne and be fully loaded there. Why would it need to go to another port? It is only when you are topping up. If you are doing bulk shipments, there are already movements of bulk shipments sometimes even from Portland to Geelong to Melbourne when it is necessary. Certainly for containers it is a different scenario. So if the port of Melbourne is operating at a poor capacity and is getting fully loaded ships now — and I think the problem is trying to get enough ships in there and the changing ship sizes, and certainly super Panamaxes in the future will be wider so they can fit bigger ships in there — the capacity will be there. Why do we need to pay compensation to that port leaseholder when they are at full capacity?

Mr DRUM — So, Peter, just pick a figure of 7 million TEU — that is max; that is capacity — and say we reach that. We will say in the lead-up to that that we are at 6.4, and we need to build another one. Who is going to build that?

Mr TUOHEY — I think that is probably the government's responsibility, and the government is either going to build that port — —

They will certainly need the planning in place, and I totally agree with what Brett said and what pretty much everybody said. The planning needs to be a process to make sure that port happens, because we do not want to lose capacity into the future.

Mr DRUM — The money is gone. Okay, so the government builds it in the future. Your understanding of how this might work is that the government might build it in the future.

Mr TUOHEY — Yes.

Mr DRUM — For the overflow, because they have to maintain the 7 million or 8 million capacity level at the port of Melbourne.

Members interjecting.

Mr DRUM — That is okay.

Mr TUOHEY — If the government is going to build it, the government will put the planning into place. That will be either the government building a new port at taxpayers expense — —

Whichever government is in power will decide that. Somebody has to make the decision in the future. We do know which government is going to do that. The port of Melbourne would be at full capacity. Again, why would compensation need to be there? I think the issue is that we need to make sure that the second port is in place before port capacity is fully realised, and certainly, again, what do you determine as port capacity? Is it 5 million TEU, 7 million TEU or 8 million TEU? Certainly with technology changes — —

Mr BARBER — The bidders get to decide.

Mr TUOHEY — Sorry?

Ms SHING — It was 5.3 under the last government —

Mr DRUM — The bidders get to decide.

Ms SHING — artificially capped by the coalition.

Members interjecting.

Mr TUOHEY — I think, in whatever circumstances — both parties were going to sell the port — the taxpayers or a commercial operator and in reality probably most governments would say, 'We'll sell the opportunity to build a port to a commercial operator', and that would happen, or the government is going to find the money at taxpayers expense. If this port were not sold — and it is not going to happen because both governments were going to do it — it is not going to have any effect on what is going to happen in the future.

Ms BROWN — One of the things we mentioned in our port submission around the "fund for the future" was to ensure that there is some funds which are available from the proceeds of the sale, particularly above a certain level that we nominated, to be available for all the infrastructure projects we have outlined today as well as funding for consideration

Mr DRUM — For the new port.

Ms BROWN — Yes, that we outlined as well for the new port.

Mr DRUM — Thank you.

Mr HOSKING — If I also could add, it is a real — —

You are right, Damian, we need to be thinking about this in the planning process. We need to be doing the modelling, knowing where capacity is, knowing where that second port is required and knowing what funds government needs to put aside to establish that. It might take the next 10 years of government putting their 20-cent pieces in a jar as they walk into Parliament to make sure that that happens, but the planning needs to be done now because we are not that far off. Ten years does not take very long to come around. I have kids; I can tell you that for sure!

The CHAIR — Thank you Mr Hosking. The committee has run over slightly in this session, but I will ask Ms Tierney for final questions.

Ms TIERNEY — It is always a pleasure to have the VFF here, so thank you for being here, Peter, and your team, providing us with a comprehensive submission. Just following the capacity issue, I want to make it fairly clear that a fair bit of work has been done, and in the first two days of this committee's hearing we heard from a number of sources, including academics, who have been doing work in this area. I think there are a couple of areas of agreement. One is that the previous coalition government did have an artificial cap of 5.3 TEUs on the table. In terms of the new government's approach, I believe there is much more increased capacity, and that is supported by a number of organisations. I just want that on the table because in lots of ways that brings us to this very issue — that is, that if there is greater capacity then it is cheaper, clearly, to stay with and increase that capacity in an existing port than build a new port at this point in time; do you agree?

Mr TUOHEY — There is no doubt about it. If you have good infrastructure — and that is the supply chain right through the port of Melbourne — utilise that facility for as long as you can, which allows you the capacity to build the other port. I know the work has been done around developing the two port sites. I know the work that has been by the department of transport. I think it is just the government that has to make the decision where and when, and your people have to get together and say, 'Well, this is it' and then get to work, and there will be differential points.

Mr DRUM — They do not care where it is. Just build it.

Mr TUOHEY — Yes.

Mr HOSKING — To be perfectly honest, we do not care what government said what number, just as long as the number is right. That is all we are after.

Mr TUOHEY — And really, with the way technologies have moved, the constraints on the supply chain are what will slow down the port capacity. So, as we move forward, I think we know how technology organisations and departments can reorganise things. I have a great deal of respect for the department of transport and the work they do. There are some very smart minds in there. How can you improve capacity? It is through changes in shipping and through changes in ship sizes. It is that infrastructure onto the supply chain which will increase the capacity. It is getting in and getting out. It is more like getting it in efficiently and without the congestion.

Ms TIERNEY — Can I also just draw your attention to the work the port of Melbourne itself has done over the years 2006 to 2009 and the peer reviews that took place there? I think that is really important for the organisation to look at if it has not already. To close off, can I just get a general sense of where the organisation is coming from? I know that you have said that you understand that both major political parties went to the election in terms of — —

Members interjecting.

Ms TIERNEY — I said the major political parties.

Members interjecting.

Ms TIERNEY — Excuse me.

The CHAIR — Keep going, Ms Tierney.

Ms TIERNEY — They went to the last election with this proposition, and I sense that you are generally supportive of the government's approach in terms of this in general terms and that you do support — —

Members interjecting.

Ms TIERNEY — Excuse me. You do support a very strong regulatory regime, you do support clear pricing regimes and you do support the financial benefits as a result of this proposition coming back into the agricultural sector is of benefit to your position.

Mr ONDARCHIE — Would you like the submission? We can give you a copy of it.

Mr TUOHEY — The key points of our submission are we want a good regulatory framework around pricing to make sure there is no added supply chain cost; we want money invested out of the sale of the port into infrastructure and rural Victoria so that we have, again, a good supply chain that keeps our costs low and will help grow agriculture, because we see it as a key part of Victoria's economy; and also as part of that framework we need the planning to go in place for the future port. It is a fairly central analogy of what we want. We want something that benefits all of Victoria. Agriculture is a key part of the economy, and we can do so much to help. We just want the right framework put in place. We do not want to be slugged by high costs. We want an efficient supply chain; we want an efficient port. We have a very competitive nature that can compete, because we do not want to lose capacity to New South Wales. We support it going through the port of Melbourne.

Mr HOSKING — Gayle, if you are asking if we support the sale of the port of Melbourne, then we see it as a real opportunity for the state to actually build a competitive port, as we said earlier. There is no doubt that a commercial operator can be more efficient, more nimble and more innovative — grasp new technology much faster than any government has — but we have to keep in mind that it is essential infrastructure and that it is a monopoly. At the end of the day we have to make sure that the processes that govern that sale and govern that lease are such that that operator has to operate in a nimble, efficient and innovative way and will grasp new technologies when they become available. I guess what we have seen from the legislation so far is that it has not been that tight around that area. So we are probably just looking for — —

Ms TIERNEY — More information.

Mr HOSKING — More information and a tougher approach to negotiation. Let us not begin with the price in mind. Let us begin with the port in mind, and get it right — and if we make some dollars, yay!

The CHAIR — Thank you very much. The committee appreciates the evidence you have given on behalf of the VFF this morning and also your very substantial written submission which canvasses the issues very well. We will have a draft version of the transcript to you in the next couple of days for any corrections. Thank you for your time this morning.

Witnesses withdrew.