CORRECTED VERSION

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 8 September 2015

Members

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Mr Daniel Mulino — Deputy Chair	Mr James Purcell
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Witness

Mr Brad Close, industry services manager, Victorian Transport Association.

The CHAIR — I welcome Mr Brad Close, the industry services manager from the Victorian Transport Association.

Just by way of background, 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 give today is protected by law. However, any comments repeated outside the hearing may not be so protected. All the evidence is being recorded, and you will be provided with a draft version of the Hansard transcript in the next couple of days.

We have allowed 1 hour for this session. We appreciate your attendance here this afternoon and would invite you, Mr Close, to make any opening statement you wish before the committee proceeds to questions.

Mr CLOSE — By way of an opening statement, the VTA welcomes the opportunity to speak today on behalf of our 800-strong membership of Victorian and multinational transport companies and freight and logistics providers.

We have just a couple of points we want to make towards the lease legislation. Over and above we are supportive of seeing the privatisation of the port. However, we have some concerns around the non-prescribed services that are listed in the document. We would like to see the legislation amended to take into consideration some of those non-prescribed services and offer some protection around that. We are particularly concerned that if it is left the way it is, the non-prescribed services will become the variable costs unit, and that will translate to higher operating costs for the operators of the port, the supply chain and all the way back through to the customer. We applaud the work that has been done thus far on prescribed services, and we feel that there is certainly an opportunity to review the non-prescribed services to enable us to have some level of protection for what we are calling exorbitant rate increases.

Our concern there is that if volumes do not increase as projected — and we note at the moment that the forecast is probably down on where the port of Melbourne thought it would be two years ago, and that is no secret — and if we do not have some level of protection, the operator will be forced to come to the users of the port and bolster their revenue streams that way. What that will do is translate to higher road costs, making us less competitive. That is a major concern for the transport and logistics industry as a whole. Margins are tight as we speak right now. Contestable freight will move. We have already seen evidence of that recently. We do not want to see any more of the contestable freight move away from Melbourne. I do not think at this stage that it is by sheer luck that Melbourne is the busiest container port in Australia; I think it is because to date we have been able to provide a service that allows freight owners and customers of freight surety, security and the ability to move their freight both in and out of the port. It has been documented that customers did not have necessarily that same confidence in the other ports on the south-eastern corridor.

Mr ONDARCHIE — Brad, thanks for coming in. You have a long history in the transport logistics area back from your time at Murray Goulburn. Let me put this to you: the government have put forward a proposal for a lease of the port of Melbourne that they say has a capacity of 8.4 TEU — though an industry expert just told us it is probably about 5.5 — with a compensation clause should it break the threshold. It is a very inflated view of what a contract should look like. If somebody pays an exorbitant amount of money for this particular lease, what effect is that going to have on your members?

Mr CLOSE — The interesting part about how we see the lease structure is that essentially the new owner is going to come forward and plonk 5.5 to 6.5 or whatever the number is on the table. No business has that sort of cash sitting around. If they did — it is interesting. On the cost side of it, if they come in with a high cost, they will be looking to make their payments and get their benefit back, just like any other business would. We are concerned if the cost comes at an inflated rate, and then they are saddled for 50 years with an out-priced market, you might say, in a lot of cases.

We know that the freight and logistics sector, particularly exporters — and I am previously from one of the biggest port users in Victoria — is very price sensitive. If I speak from the Murray Goulburn perspective, and for this I will, they are not competing with the local manufacturers here in Australia; they are competing with China, even though China is a customer, and they are competing with Argentina and places like that across the world. So you have to be able to keep your costs in check, and you cannot be losing out on a freight leg all the time just because someone has paid too much and they want too much to use your services. If that becomes the case, they will seek another alternative.

Mr ONDARCHIE — That is interesting, Brad, because given that the rents are going to be unregulated and that the ultimate purchaser needs to get their rate of return, is it possible that those unregulated rents could provide a price shock to the operators and therefore to your 800 members as well?

Mr CLOSE — Yes, I do believe so. I do believe that is the case. We know how tight the margins are at the moment. Some of the deals that are being struck out there are already very tight in the margins. There is a lot being forgone by the transport operator themselves in order to keep the business, so to come through with a charge they cannot absorb — it will purely have to be passed on to the customer — is going to mean that there is going to be an increase in the unit price for whatever is in that box.

Mr ONDARCHIE — Given your operators have pressures with fuel costs, insurance costs, cost of equipment and plant machinery, and rolling stock in that sense, if their margins are getting skinnier and skinnier and this lays over the top, what effect could that have on your industry and jobs?

Mr CLOSE — I think the first point that needs to be taken into consideration is that the job losses will come from the loss of volume because the margins will get squeezed, operators will continue, small businesses, of which — the transport industry, 72 per cent of its volume is made up by single-truck operators, so small business will suffer immediately, because there is not the fat in it at all. The larger companies — we are talking about 9 per cent of the market there, though — may be able to absorb a bit more of that before they bend. But that is a real concern for us. The other concern is that we see the volume move away from the port of Melbourne into alternative modes, and I do not think we should just discount that going to another seaport. Some of the stuff may come in by air. Who knows? It depends on how tight it gets.

Ms SHING — Thank you very much for your summary and for setting out the position of the VTA in relation to the lease. I note your support for the principle of the lease itself, which as we have already heard today and as people will generally concede is something that both major parties have committed to. I would like to note a number of concerns that you had raised, or that the VTA had raised, in a media release back in July, which indicated that there was support for the lease transaction itself, but you did build in some concerns about pricing and about how that might affect the bottom line for your members. I am not sure whether you were here earlier this morning —

Mr CLOSE — No.

Ms SHING — but we did hear from the Department of Treasury and Finance, which has provided a lengthy submission to this inquiry. It does refer to a much more stringent and prescriptive approach — a building-block approach — to pricing amongst other things that would actually increase the level of regulation of existing port of Melbourne revenues to 86 per cent. I just wanted to get your views on whether the concerns that you first raised back in July, or your organisation had raised — whether you have had some comfort around those issues as you originally expressed them given the way in which the legislation is proposed to operate.

Mr CLOSE — Just to clarify, 86 per cent of the revenue; is that what you are speaking about?

Ms SHING — Would be captured by that regulatory framework.

Mr CLOSE — I suppose that is one of the concerns for us, the remaining 14 per cent. What we have been able to make of that is that a lot of that is the things that affect our members wholly and solely. You are talking about the stevedoring charges, you are talking about wharfage, you are talking about those other incidental infrastructure charges. If you have got 86 per cent of your revenue tied up in, in effect what is called basically a fixed cost — you know what you are getting for it — and your volume has dropped, then you only have 14 per cent of your revenue stream to be able to draw upon to make up your dollars where necessary, if that be the case — if we see a volume drop or anything like that or they or they overestimate the new buyer. That is our concern. Our concern still remains there.

Although you have got 86 per cent of it tied up, the doing side of it, which is probably the simplest way I can say it: those that do the doing in the port, and operate, that is where the protection needs to come as well, because do not want to see infrastructure charges go from where we are at the moment, say between $3.50 and $3.75, to $53.75 per container or per transaction.

Ms SHING — Just on that point, in terms of the CPI price cap that has been proposed for 15 years and the certainty and predictability that that would provide, that has been outlined as one of the key features of the regulatory framework. Does that actually affect the way in which your membership would respond to the lease model that has been proposed?

Mr CLOSE — The issue for our members, I suppose, in the most simplistic form, is what hits them in the pocket. Whilst we see huge regulation, and quite solid, around the 86 per cent, it is the variable that they are exposed to on a daily basis. A lot of the charges that we talk about being prescribed — that side of it is not visible to transport operators. What they see is what the stevedore is charging them to lift on and off a box, what it is charging them to make a timeslot booking, what other infrastructure charges will come their way — weigh-go, those sorts of things — in the future. If someone implements that, what is going to stop an operator putting in, say, a weigh-go system that has to be used in order to meet their chain of responsibility obligations and then charging some exorbitant amount of money over and above what it cost to put the infrastructure in place? For instance, we may have a look at $1 million worth of infrastructure to put weighbridges in — three of them at $3 million — then put in a fee that suggests you would have your return on investment in 12 months, but then the charge stays there for forever and a day. You know what I mean? That becomes a cost to business and a cost to the transport and logistics industry.

Ms SHING — Even within the scope of the pricing order arrangement?

Mr CLOSE — And it will come under that non-prescribed side of the ledger. That is what we are concerned about.

Mr DRUM — When you think about this deal do you actually think about it in terms of being a 50-year lease, or do you expect that the 20-year extension will be enacted and that we should be talking about a 70-year lease?

Mr CLOSE — I suppose it is a very interesting question. I guess that predominately we have looked at it as a 50-year deal, but then I suppose what is realistically more likely to happen is that — I suppose from an industry perspective we have not given that as much credence as we may necessarily need to essentially look at. But we are still looking at this as a 50-year deal. Really, based on what else is being said around the room around capacities, the port of Melbourne will run out of capacity if you look at the projections. That is why it was set at 50 years or thereabouts.

Mr DRUM — Are you aware of any commodities — or are you aware of a large number of commodities or any number of commodities — that are being sent to other ports at the moment, that are being diverted away from their usual port of Melbourne destination, to either Port Botany or Port Kembla or wherever.

Mr CLOSE — Clearly at the moment we have seen one high-profile company move paper from Melbourne to Sydney out of Tumut et cetera — so paper products or paper by-products. I was talking to some operators yesterday around what scrap was doing, because that is certainly one that has quite low margins, in scrap steel, and it is very much a price-taking commodity. It is whether the world wants it or not. So, yes, there is some talk around that.

That is why we talk about contestable freight such as cotton. That is another one that is quite interesting. I talked to the carriers quite recently, and they said that there is very, very little cotton coming down this year, whereas we have had cotton for probably the last eight or nine years coming into the port of Melbourne and being shipped out. The volumes are down, and the costs make it more attractive to send it through Fisherman Islands in Brisbane than it is to bring it to Melbourne and get it out.

That is what I was speaking about earlier, that one of the things that the port of Melbourne has been able to do quite successfully is growers, exporters, freight owners et cetera have a level of confidence in the way that the port works and that they can get their goods to market, and that is one of the things that has been defining Melbourne for quite some time.

Mr DRUM — Would your members maybe have more confidence in this deal if it was not involving the monopoly aspects of the 50-year or 70-year lease? Would your members have more confidence if there was still some competition or if there was a development of a second port to create that competition?

Mr CLOSE — To be honest, I do not know which way the members would look at that. They are living in basically a monopoly now. If you look at the container operators, particularly, they live within a monopoly now. Their concern is that that monopoly was a statutory body that was attached to the government and now it is looking to become a private operator, which has a slightly different view on the world, you might say. I really do not know how to answer that other than that at this stage. I can certainly take it back to our members and ask.

Mr MULINO — Thank you for your evidence, Mr Close. Just given your deep knowledge of the logistics sector, I am interested in your views on a different side of the transaction, which is one of the rationales relating to what the funds will be used for. What is your view of the potential benefits for the logistics industry in Melbourne and its competitiveness after the removal of 50 level crossings?

Mr CLOSE — I think the removal of the level crossings is important. I think we cannot discount the fact that they will allow for a greater ability to move not only freight but people et cetera across the road network. Anyone who has to sit down in the west and wait for 15 or 20 minutes while the trains go past at Werribee, or whatever it might be, will tell you that the removal of level crossings is great. We have seen it in some of the ones that have been done already, such as Westall Road and the improvements that have been made on that thoroughfare — that north–south corridor for Westall Road down to Clayton, which has a lot of small-to-medium-size manufacturing and warehousing et cetera in and around it.

Certainly, if you think back years and years ago, it was a completely different animal back then, when you were sitting at that intersection waiting for the train to come past and waiting for the other one to go back to Dandenong et cetera. So there is certainly some benefit. We would like to always see more investment in the network that would address freight logistics needs as well as level crossing removal. Does that answer your question?

Mr MULINO — Yes, thanks. I mean it is an interesting area where we have all tried to project all sorts of things today, but it is pretty clear that no matter what you envisage is going to happen in Melbourne over the next 20 or 30 years, that congestion is going to get worse. And 20 minutes of boom gates been down is going to be 30 minutes or 40 minutes over time.

Mr CLOSE — Yes. Our challenge moving forward, just to digress slightly, is that if we see a doubling in the freight task in the next 20 to 30 years or whatever, and I have said it before, we simply cannot make that simply be double the amount of trucks on the road making those freight deliveries. We need to look at longer term solutions to that issue, and I think that one of the things that would be beneficial in the discussion around the lease is how do the intermodal terminals fit into this as well. Because I think that — and particularly what Hermione said just before she finished about Moorebank, with Moorebank being a game changer, as I think she said — if we are to stay competitive, we need to adopt a similar notion here in Melbourne, and that is: we get the containers or whatever the freight may be into the port — to the wharf; let us just say that that is the wharf — in the most efficient and effective way possible; get the containers back out to a large intermodal terminal that allows then for distribution to take place, be that north, south, east or west, wherever these intermodal terminals fall. If we connect those properly with the port, then the trucks can do the job of making the final last-mile deliveries, rather than carting them all the way out and having all these double-handling movements in it as well.

We cannot just expect to put twice as many trucks on the road to do the job, because it simply cannot happen. We cannot do it from a social conscience perspective. We cannot do it from a skills base at the moment as well. We have all these other issues that we need to take into consideration. I think it is important that we have that in the conversation and that when we talk about a port lease we talk about how that affects the greater supply chain. I think Hermione was indicating that in her discussion earlier.

Mr MULINO — You have raised important issues in terms of the interaction between road, rail and intermodal terminals and the fact that it is a very complicated system. Level crossing removal is going to be a big step forward, but there are other investments that would be required. Do you support Infrastructure Victoria playing a role in a holistic kind of analysis of the longer term needs of our system and that that would include things like where a second port is and some of the intermodal issues you have raised?

Mr CLOSE — I think we need to depoliticise infrastructure. There are no two ways about it. We need to have a longer term vision than just four years, three years or whatever it might be. The state is too important for that. The people who live in this state and enjoy this state need to have some more comfort and security that a pipeline of projects will come along which will generate wealth and jobs. We need a body there that oversights that well into the future rather than just through the election cycle, you might say. It may be a bit bland, but that is it. Yes, we do support the likes of Infrastructure Victoria taking an oversight, making sure that we do get the proper testing of each of these projects and making sure that they are going to be beneficial to the state.

The CHAIR — In your introductory comments you referred to the VTA's concerns at the non-prescribed services covered in the legislation and suggested there was a need for amendments to the legislation. Would the VTA support the passage of the legislation as it is drafted today without those amendments you spoke about?

Mr CLOSE — My CEO, Peter Anderson, and I discussed this just before I came up this morning to this. We really think there needs to be another look at how non-prescribed services are being treated in the legislation. We need to have some level of comfort and security that these things just cannot be racked up overnight, because it is not going to be beneficial to the supply chain if it is not addressed. Those non-prescribed charges are the things our members see every day. I suppose for a lot of prescribed services they do not necessarily see that. They do not see security. It is not as visible as, 'What's it costing me to get this container from the wharf to my customer or from my customer to the wharf? What's that costing me, what do I have to then on-charge back to my customer and how do I keep that customer?'. There is someone always at the door saying, 'I can do it better. I can do it cheaper. I can do it by driving backwards, and it won't cost you as much'. That is important to us. We implore you to take a second look at that. We are not saying price fix it; what we are saying is that we need it to be more than just market-force driven. There has to be some sort of level of control over it.

The CHAIR — One of the non-prescribed charges is the rents. Ms Shing referred before to 86 per cent of current port revenues falling within prescribed services and the proposed 15-year CPI cap. Of course rents are not the subject to the CPI cap and are not subject to regulation. I assume you would be familiar with, at least from an external perspective, the recent negotiations between the port and DP World.

Mr CLOSE — Yes.

The CHAIR — They were looking to increase the rents from $16 per square metre to $120 per square metre. What was the VTA's view on that proposal and what it would mean for your membership?

Mr CLOSE — We were quite public in our condemnation, I suppose, of what was felt at the time to be a rather exorbitant price increase. Effectively stevedores were going to try to pass on that cost through the transport companies to collect from their customer. They made no secret of that to us, as the VTA. If the rents do go up, their contracts are set with the shipping lines to a degree. They did it when they had their last tax increase. That is when we incurred our first $3.25 to $3.75 charge as an infrastructure charge. That was because they had this increase that had come out of left field on them. But when you talk about what they were looking at charging per box, it was going to jump from $3.25 to $3.75, which is the market at the moment, to in excess of $50 per container.

The CHAIR — A 15-fold increase, or thereabouts.

Mr CLOSE — A minimum, yes. If volumes dropped per TEU, then the cost would have to be animated over what was left, so it could go onward and upward. That is a cost that then has to be transferred in some way, shape or form to the customer in an already very dynamic, price-sensitive marketplace in container haulage.

The CHAIR — In terms of downstream effects you made the point that shipping charges negotiated with the shipping companies are to a certain extent fixed. Where costs can squeeze out is with your members.

Mr CLOSE — Yes, with the freight charges and the last-mile charges that the customer is subjected to at the end of the day.

The CHAIR — Does the VTA have a view on the resolution of that negotiation between the port and DP World? We heard evidence this morning from the department of treasury that with the new VICT terminal that has established a new benchmark or baseline, if you like, of $120 per square metre for rents, it was the port's intention to then seek to adjust the other stevedores to comparable rent. That did not occur; that was the proposal. That has obviously been widely discussed publicly. Ultimately negotiation with DP World landed on a much lower figure, around $20, escalating to $45 in the next couple of years. Coincidentally that all came to a conclusion the day before the bill hit the upper house for debate. Does the VTA have a view on the way those negotiations proceeded and were concluded, and in particular the way in which they would proceed in the absence of that sort of scrutiny and in the absence of an environment where a port lease has been contemplated — that is, if the lease was already in place or even privatised?

Mr CLOSE — From the VTA's perspective, I think that what the outcome was was sensible at the end of the day. I think that it was a much more workable solution, that everybody in the supply chain has the opportunity now to adjust in a lot more smaller increments, which is a lot easier to take to your customer and say, 'Look, we are going to see an increase from X to Y to Z to A plus 1 over the next four to five years'. At least then they can make the decisions and they can also adjust their pricing and what they are doing. That is a far greater outcome, I feel, than hitting them right between the eyeballs and seeing if they are going to get back up again-type thing. I think that we felt that that was a much better outcome.

In respect to the VICT $120 per square metre, I think the two terminals at Swanson are completely different to what is being proposed to be built at VICT, at Webb, and so therefore they are not apples and apples. They are apples and oranges. You are looking at a terminal that is going to employ the latest fully automated systems and best practice et cetera straight off the bat, whereas we have got legacy issues at Swanson. We have got people that work at Swanson. VICT are going to keep their labour very small, a very small percentage. The two stevedores at West Swanson are huge employers of people, so I think that that needs to be taken into consideration with it as well. They are not apples and apples. You have got a brand-new facility going in at Webb Dock, and you have got a facility that has been there since the 60s in one way, shape or form at Swanson.

The CHAIR — Just one other final question I would like to canvass with you. Rod Sims, the chairman of the ACCC, has publicly raised concerns, or expressed a warning, to government about the danger of seeking to maximise up-front revenue at the expense of the long-term operation of the facility and the long-term impacts that could have on the Victorian economy. Does the VTA have a view as to whether the balance between up-front revenue and long-term viability has been appropriately achieved in the proposed transaction, whether it is an appropriate balance?

Mr CLOSE — I will say that I feel that there probably has not been enough focus on that at the moment. Certainly what I was talking about earlier around the charges is that if someone does come in and pay a lot of money for the port, that is great up-front for the state because all of a sudden we have got all this cash to remove level crossings and keep the farmers happy — if you can do that. But the longer term is that they will want return on their investment. If volumes drop down or if something untoward happens, they are still going to need to make a return on their investment, and that is our concern. Has that been balanced one against the other? It is great to get $6.5 million or billion or whatever the figure may come out to be, but what will that cost us at the end of the day? I concur with what Hermione said: when you have got both the utilities on the Monopoly board, you are getting 10 times the rent of the price.

The CHAIR — That is an interesting point. If you take your $6 billion figure, you need a 10 per cent return minimum — $600 million a year. The port currently generates $360 million in revenue. There is a big gap between — —

Mr CLOSE — What is now and what is expected tomorrow. That is a concern.

The CHAIR — Thank you.

Mr MULINO — Just going to that issue of the balance between long-term economic development issues and the up-front. There are a couple issues around the economic regulation going forward, and I will come back to the non-prescribed services, which has come up a couple of times, but in terms of one of the ways in which there is an attempt in the current regime to protect the long term, as opposed to trying to solely increase revenue, a number of sources of evidence today have gone to the fact that there is a considerable strengthening of the economic regulation regime. The 86 per cent, and I know that you will go back to the 14, but that is broader than is currently in place, and it is actually not just broader but it is also going to be a more transparent and rigorous methodology — the building block approach as opposed to monitoring. I just wanted to revisit that just to say that is something that you welcome — the broadening of the regulatory regime — compared to what it currently is, and making it more rigorous and transparent?

Mr CLOSE — Absolutely.

Mr MULINO — Just going to the 14 per cent, I just wanted to clarify. When it comes to the dispute, recently resolved, in relation to DP World, you were critical of $120 a square metre as a possible outcome. What was your view of the ultimate outcome, $20? Did you feel that was a sensible compromise?

Mr CLOSE — Where it finally got to at the end?

Mr MULINO — Yes.

Mr CLOSE — We feel that that was a more realistic price. Look, that is the start of it. There is nothing to say that further down the track we do not see more increases, but the concern for us as a whole was to take it from the $19 or $20 that it was to $120 overnight with practically no warning. It would mean that for a lot of the transport companies — they are costs that they just could not absorb or transfer really quickly, you know. Some of the businesses that do wharf cartage now have got contracts with their customers, and for them to take that, it changes the platform. It changes the game completely, and there are people who would not be able to absorb it and would not be able to function the next day.

What it did for us as an industry is it stalled us. It stopped the orders for new trailers, new prime movers et cetera because people did not know what was going to happen next. The downstream effect of that is that we saw the orders stop at the truck manufacturers. We saw businesses that were looking to maybe upgrade their fleet and get away from the older trucks and older trailers sort of going, 'No, hang on. We'll hold back for a moment. Let's just see where this is going to land, because if that comes into play, am I going to be able to afford to take the payments across the new fleet?'.

Mr MULINO — That negotiated outcome was arrived at — versus the two counterclaims — via an independent party coming in and — —

Mr CLOSE — Mediating.

Mr MULINO — Mediating and then in the end there was negotiation, but it is quite common, in Australia at least. At major ports it is standard practice for the lease element of port revenue to be dealt with via a process where if there is a dispute, an independent party comes in. It does sound as though in this instance you were happy with the outcome that independent party arrived at, and that what you are really looking for is confidence that going forward an independent party would be able to come in as appropriate and arrive at similar outcomes.

Mr CLOSE — Yes.

Members interjecting.

The CHAIR — Ms Shing, Mr Ondarchie.

Mr MULINO — You would like the comfort that that independent party coming in is something that will happen on an ongoing basis.

Mr CLOSE — I suppose the other side of that coin is that we would like to get it to a point where we did not need that independent party coming in in the first place, because of the disruption that it led to in first place. We would like to have a surety that we did not necessarily need to get it to that point before it came back to some sort of sense and sensibility. I guess that is where I would take it from.

Mr MULINO — Okay. Just one last question. If there was an arrangement where an independent party came in, that would be a lot better than a free arrangement?

Mr CLOSE — It would be better than nothing, but what we would like to see is a process that prevents the need for that to come into play in the first instance.

Mr BARBER — Having listened to all your testimony today, I am not sure why it is that your members support privatisation of the port except for the proceeds being spent on the level crossings. Is there any other deficit that you think needs to be corrected with the way the port runs that would get better if it was a private operator?

Mr CLOSE — There is no doubt that the members that we represent as the VTA are seeking a more efficient port system — port supply chain. We would always like to see it pushed to its limits and be sweated and go harder than it is at the moment. One of the other things that we would like to flag is that in order to meet the capacity requirements that the port is being projected is look to move or relocate some of the less core container transport or containerised freight away from the port, whether it be the Coode Island tank farm and the grain silos. Thankfully there are no grain farmers in the room at the moment.

Mr BARBER — Or GrainCorp either.

Mr CLOSE — Yes, and really free up that capacity to take the extra container hard stand areas et cetera, but also at the same time not turn the whole port of Melbourne into a hard stand wasteland either. I think we need to do it sensibly.

Mr BARBER — If you had the 6 billion proceeds of this port sale in your pocket, you would spend it on some of those sorts of things rather than 50 level crossings nominated by RACV members.

Mr CLOSE — I think that there is certainly a desire out there to see improvement, at least some of the proceeds go back into the port and improve what exists today, more than just window-dressing. Taking into consideration things like Coode Road — the closure of part of Coode Road for the development of DP World, which will increase capacities, which will reduce costs, which will be beneficial to the community and to customers and to us.

Mr BARBER — Final question. Has the government shown you any information that this 50 level crossings portfolio is going to have a higher rate of return and particularly a higher benefit to your members than perhaps some of these other alternative investments that you have started to flag? Have they shown you that information?

Mr CLOSE — Me personally, no.

Mr PURCELL — Just to follow on from Mr Barber's question, because it did appear to me from what you were saying that you have a lot of issues in regard to fees and freight going interstate. Yet if you have a look at your notes, you are saying that the VTA supports leasing the port because proceeds are needed to fund level crossing removals and other road upgrades. You are actually not saying that at all. You believe that the port should be leased because of efficiencies within the port as well as that?

Mr CLOSE — Yes.

Mr PURCELL — Okay, so what the notes are saying is you actually do support it because of that. It is actually more than just the — —

Mr CLOSE — That is out of our press release, is it?

Mr PURCELL — It is background notes from the VTA. So it is more than just those level crossing upgrades and road upgrades.

Mr CLOSE — Yes, I think so.

The CHAIR — We do have a few minutes left for any further questions. I would just like to follow up on the issue we spoke about before in relation to prescribed services and the rent negotiations. We heard evidence this morning that the Department of Treasury and Finance was in the room for the DP World negotiations with the Port of Melbourne Corporation, and we have already seen where that landed and the timing of when it landed.

Given that took place in a government environment with oversight from the department, would VTA have concerns about the same type of negotiation taking place without the transparency that was surrounding that particular negotiation given the timing around the lease and the legislation and without the presence of the Department of Treasury and Finance in the room? So down the track, at a private operator, Treasury was not there, there was no public discourse about it, and you have that same negotiation taking place with the proposal of rent increases by a factor of 10 or whatever, would you have concerns about that taking place in that type of environment?

Mr CLOSE — I would suggest yes I would have concerns that there would not be the transparency that is required. I think that it is important that we have that level of comfort that what is being done is being done in the best interests of all and not just some. I trust that goes some way to answering your question. It is an interesting question because it is hard for me to comment on the 800 members that we have, because if we asked that question of the 800, we would probably end up with 799 different answers. I think that it is important that we have that oversight and transparency throughout any of this. It is just too big an issue not to.

The CHAIR — If there are no further questions?

Mr ONDARCHIE — I just want to ask one more question. I understand what you are saying about making sure that your members can traverse Melbourne in a more efficient way, but, quite frankly, fixing up the driveway has got nothing to do with selling the house. I think that they are separate things. If they are going to fix up the level crossings, how they compose the funding model around that is the government's issue. But scanning the port of Melbourne lease in its own right, as we have seen the current proposal before the people of Victoria and the fact that it is probable that those inflated costs would half screw to your members, is it not as it stands a bad deal right now?

Mr CLOSE — It is a very difficult question to answer.

Mr ONDARCHIE — Keeping in mind that a funding model for the railway crossings is a separate issue.

Mr CLOSE — Yes, I understand what you are saying. It is difficult because the removal of level crossings will improve congestion in some of the other areas that transport operate within, so there are benefits there. There are benefits for the safety side of it too, and you have got to remember our members are also members of the community and tragedy affects them or could affect them when someone is killed on a non-regulated level crossing, for instance. I do not necessarily believe it is a bad deal. I do not think it is a bad deal, I think it just needs a bit more scrutiny around some of the things that we have raised today.

Mr ONDARCHIE — So you are okay with those passed-through costs to your members, are you?

Mr CLOSE — No, that is why I say we want to see certainly some transparency across the non-prescribed services.

Mr ONDARCHIE — And are you getting that from the government now — some transparency on that?

Mr CLOSE — No, not as we speak today.

Mr MULINO — Just a very quick follow-up to that. Mr Ondarchie is raising some complex issues that I think are beyond scope in a lot of ways, but I would certainly just want to put on the record that the notion that you totally separate these is not obvious. The notion that you fix up your driveway — just source $6 billion from somewhere else magically as a trivial matter — is not true, and so therefore the two sides of this are relevant. You have already outlined that there will be significant benefits from removing 50 level crossings. I just want to ask: if this deal was significantly delayed or imperilled and that in turn imperilled or delayed investment in infrastructure, including the level crossings, would that be something that would concern your members?

Mr CLOSE — I think our membership are already concerned about the delays to infrastructure. I will be quite honest here. Whether it be the sale of the port or otherwise, I think if I went and surveyed our members today, they are disappointed in both sides of government for their lack of infrastructure, particularly around roads et cetera, and that is not just in the metropolitan area as well — that is across the state, regionally and et cetera. Yes, they would be frustrated by further delays to some of the projects that have been announced, but they are equally frustrated already by the lack of will to get some things underway and on the road already, because these are the guys who are sitting on the Monash M1 corridor each day with the engine idling.

The CHAIR — The Eastern Freeway.

Mr CLOSE — Or the Eastern Freeway or the Tullamarine Freeway or whatever, sitting there watching fuel burn out of the exhaust, and particularly the guys who are employing drivers on an hourly basis. They are just watching their profits eroded by overtime to a degree, so yes, they are frustrated already by infrastructure being delayed across the board.

The CHAIR — Mr Close, thank you for your time this afternoon. We appreciate your attendance and evidence on behalf of the VTA. Is the VTA proposing to put in a written submission?

Mr CLOSE — Yes, we are.

The CHAIR — Thank you very much, we look forward to receiving that.

Witness withdrew.