

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Horsham — 27 October 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

Mr James Purcell

Ms Harriet Shing

Ms Gayle Tierney

Staff

Secretary: Mr Keir Delaney

Research assistant: Ms Annemarie Burt

Witness

Cr Colin Ryan, Chair, Great South Coast Group.

The CHAIR — I declare open the Legislative Council 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 ask that all mobile telephones now be switched off. I welcome Cr Colin Ryan as the chair of Great South Coast Group. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false and misleading evidence may be in contempt of Parliament and subject to penalty. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and is further subject to the provisions of the Legislative Council standing orders. Therefore the information given at the hearing today is protected by parliamentary privilege but any comments made outside 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 45 minutes for this session. I would invite you to make a brief opening statement if you wish, and the committee will then proceed to questions. Thank you for your time this morning, Councillor.

Cr RYAN — Thank you, Chair, and thank you for making the time available for me this morning to present. My name is Colin Ryan. I am mayor of the Moyne shire and chair of the Great South Coast regional board. The Great South Coast area is bounded by the shires of Colac, Otway, Corangamite, Moyne, Glenelg, Southern Grampians and the City of Warrnambool. It has a geographical area in the south from Apollo Bay, Colac to the South Australian border. Our northern aspect is from Skipton across to Casterton and again to the South Australian border. I am not going to talk at great length. I will be direct and to the point with my address.

Our board, the Great South Coast, is in full support of the concept of leasing the port of Melbourne, and we commend the government on the proposed establishment of the Agriculture Infrastructure and Jobs Fund. We do, however, take issue with the amount of money that will be allocated to that fund. Our region, just like every other region that has presented to this board, is the food bowl of the world, though I might add that our region does produce 25 per cent of Australia's dairy product. We supply and support 10 factories, including Murray Goulburn, which is Australia's largest factory, at Koroit. The Murray Goulburn Group has just recently announced they are doing an expansion of the factory, valued at between \$260 to \$300 million. That expansion will cater for milk powder, which will be exported to China in forthcoming years. It just gives an indication of the expansion going on in our area in relation to food production.

But it is not only our region. All regions in the state are important to agricultural production. As we all know, our farming families from Victoria contribute \$7 billion to our economy and employ more than 87 000 people. Over the years regional Victoria has contributed significantly to the port of Melbourne through agricultural exports, which has in turn contributed significantly to its value. We now see the prospect that if it is sold the major contributors to its value will only receive the benefit of 3 per cent of that sale. We believe that regional Victoria should receive significantly more from those proceeds. Regional councils are under a great deal of pressure and stress to try to maintain the road infrastructure that is required to support agriculture. We no longer receive funding from the country roads and bridges program from the state government, and we have reduced funding from federal assistance grants, which has added to the burden of councils. In the Great South Coast region VicRoads's own records show that the condition of our roads is well below the state standard and an estimated \$200 million is required to bring them up to the required standard.

Power upgrades is another issue that is facing our farming community throughout state. In our area alone I have recently been handed a list by UDF that shows that 40 farms in our region alone require power upgrades to three-phase power that not only takes them into the future but just maintains their efficiency today.

Another issue in relation to road maintenance involves the roads leading to the port of Portland. We are presently lobbying the state government for \$200 million towards the green triangle freight project. That involves 200 kilometres of roads leading to the port of Portland. In forthcoming years there is to be \$15 billion worth of woodchip to be exported through the port. This is a fact that I was not aware of until recently, but the port of Portland is the biggest woodchip port in the world. With \$15 billion worth of exports to go through it, it is a significant piece of infrastructure for not only Victoria but also Australia.

In closing, country Victoria requires significantly more than the \$200 million statewide to maintain and progress the agriculture industry in this state. Thank you.

The CHAIR — Thank you, Cr Ryan. On your closing point around the allocation of funds to regional Victoria, does your group have a view as to what an appropriate allocation is, if it is not the \$200 million that the government has spoken about?

Cr RYAN — No; what is required. We do not have a figure, but we say what is required to bring it up to and maintain that standard.

The CHAIR — Across just roads infrastructure?

Cr RYAN — All matters. We have not put a figure on it, but it is significantly more than the \$200 million.

The CHAIR — You mentioned \$200 million worth of road upgrades associated with the port of Portland. That is supported by all your constituency members, all your council members, within your group?

Cr RYAN — Yes. At our last board meeting that was fully supported by the board and we passed a resolution to lobby government in relation to those requirements.

The CHAIR — Is that your no. 1 priority in terms of local infrastructure upgrades?

Cr RYAN — It is one of them. Roads are our priority across the region, but it is one of our priorities.

The CHAIR — Is it ranked as a leading priority or is it a subordinate priority?

Cr RYAN — Yes, we have seven priorities; roads improvement is one of them.

The CHAIR — In terms of the impact of the proposed lease on agricultural activities in your region, does the group have a view on the details of the proposed lease, whether it will be effective for agricultural producers in your region? Do you have concerns about the lease?

Cr RYAN — I am not in a position to be able to provide those details from the board.

Mr MULINO — Thanks, Cr Ryan, for your evidence. I just wanted to start with the issue of the allocation of funds towards infrastructure in the regions, and this region in particular. You, I think, welcomed the \$200 million, but you have said that it would be appropriate for there to be more. One argument that has been flagged in earlier discussions is that in addition to the direct allocation of funds from the proceeds, the raising of money from the lease will also free up the overall budget and allow for the government to potentially allocate more money into infrastructure across the state. What do you think of that concept — that the lease will free up the broader budget?

Cr RYAN — Firstly, I said at the start I welcome the infrastructure fund; I said the amount required was much greater. As to the economics of the government, their budgetary situation, I am not completely across that, but if it did free up other money that did come our way, to regional Victoria, good and well. But as I said, I am not across the budgetary limitations of the state government.

Mr MULINO — Turning for a moment to some of the pressures on exporters from this region, is it fair to say that it is very important for exporters from this region that supply chain costs are kept as low as possible for them to remain competitive?

Cr RYAN — It certainly is. It is a major cost in getting goods to port.

Mr MULINO — One of the issues that we have talked about in this inquiry is that eventually we are going to need a second port but that we do not want that to come on too early or too late. If it comes on too early, there might be added infrastructure costs which will be passed on to exporters and then also to consumers. That whole question of the location and timing of the second port, are you and your users comfortable with that being examined in detail by Infrastructure Victoria so that we come up with the most reasoned and researched position?

Cr RYAN — We have not discussed that issue specifically, and I am not able to comment on it.

Mr MULINO — But it is fair to say that in terms of the ways in which the port of Melbourne increases its capacity, you would like that to happen in such a way that it is at the least cost, obviously, for the users of the supply chain in this region?

Cr RYAN — Whatever the location of the export port is, of course. I am not saying it should be the port of Melbourne; I have got no position on that. But it is important that costs should be kept at a minimum.

Mr BARBER — Thanks, Cr Ryan. I would not expect you to have a magic number for the necessary investment in state-owned infrastructure, which you have said nevertheless is very important to your area, but can you describe for us the impact that this lack of investment is now having on your area and also particularly for those who are port of Melbourne users?

Cr RYAN — The arterial road network in our region, as I have said, is well below standard. The increase in heavy trucks involved with the cartage of milk is at a premium. Our dairy factories are at capacity at the moment — they are at full capacity. With the Chinese and Indian markets evolving, the volume of milk is going to increase significantly, which will then in turn impact on our roads. Speaking for Moyne, frankly we cannot keep up with the amount of money required to maintain our roads. It will have a significant effect on our roads going into the future, and the lack of money being spent on them will significantly impact on our economy.

Mr BARBER — Is that local roads to get the milk to the factory, or are you talking about from the factory to the port?

Cr RYAN — Both. The roads are used both ways, for all those purposes.

Mr BARBER — Is it true what I heard on the radio this morning: that you might be cutting back on your aged-care services to make up for the impact of rate capping?

Cr RYAN — That is correct. Rate capping is having a dramatic effect on our council. We will be looking at our services that we provide, that we are providing on behalf of the state government. Of course we will not be leaving people in the lurch — out in the cold — and not providing them; we will be liaising with all agencies so that people do receive that service. But the reality is if rate capping impacts on us, we will be looking at a cut of around \$600 000 in our next budget through a combination of coming in at the required rate, the added effect of a cut of funding from state government in country roads and bridges and the reduction in money from federal assistance grants. That is the reality of the effect on the Moyne Shire Council. We will have to cut services to come under the cap.

Mr PURCELL — Thank you, Councillor. It was pleasing to hear the presentation. I think one of the important things is that it is a food bowl but more importantly I think the Great South Coast, because of what is generally the reliable rainfall, is the fastest growing food bowl in the state as well. Does that mean, though, that that produce needs to get to market — whether that be the overseas market — on the main arterial routes, which would be your Princes Highway west, which I think is one of your major projects — —

Cr RYAN — Yes.

Mr PURCELL — What upgrades would you see of that, and while I am asking that, also the rail service? As I understand it, the freight onto the passenger service, the combination of that, means that you cannot run too many services and you cannot get the freight to market quickly. Where does the Great South Coast sit on both of those projects?

Cr RYAN — Both of those projects are one of our seven priority projects of the board. The rail upgrade is a priority. Murray Goulburn Australia I think are the largest dairy exporter out of the port of Melbourne. Last year they had 22 000 containers, and a significant amount of those come from Koroit. The upgrade in rail and the Princes Highway west upgrades are significant in relation to getting goods to port.

Mr PURCELL — Without putting words in your mouth, which I know you would not let me do anyway, would both of those projects, because of the link between the port and the produce that goes into the port, be good projects to fund out of the lease of the port?

Cr RYAN — Certainly. It goes without saying. Yes.

Mr PURCELL — Do you see the port of Portland having a part to play in the long term? It is one of the best deepwater ports in the state at least. Do you see it having a part to play in containerisation in the long term?

Cr RYAN — In the long term. It is a natural deepwater port, as you know. Its location in relation to our blue gum forests is why it is the world's biggest, as I said, woodchip port. It would require a significant infrastructure upgrade to be able to handle containers. But, as I said, it is a natural deepwater port and ideally situated for that potential, yes.

Mr ONDARCHIE — Colin, good morning. You touched earlier on the amount of money that would flow to regional Victoria as a result of the lease sale. Based on today's numbers that is worth about 3 per cent of the total sale price.

Cr RYAN — That is my understanding, yes.

Mr ONDARCHIE — How does the region feel about 97 per cent going to Melbourne and 3 per cent only to the rest of Victoria?

Cr RYAN — The state government are entitled to do what they want. However, we feel cheated. Regional Victoria has been the major contributor to the port, which has increased its value. Now it is being sold, or the lease is being sold, and we are getting 3 per cent of the total sale. We feel we have been duded and that a substantial greater amount of that sale should go to the people who are responsible for making the port what it is today.

Mr ONDARCHIE — You have talked about some critical pieces of infrastructure improvements, such as the green triangle freight project, the Princes Highway upgrade, the rail project and the 40 farms needing a three-phase upgrade. The government claim that this lease will free up capital for infrastructure. There is nothing in writing and no commitment to that. Would you like to see some firm commitment to some of these key projects you have talked about prior to the lease going ahead?

Cr RYAN — I certainly would. The commitment in relation to the amount of money being promised — \$200 million — is not near enough to back up and provide those extra infrastructure requirements.

Mr ONDARCHIE — Right now they are saying, 'Listen, once we've leased this project we'll have much more working capital. Trust us, it'll be okay'. Is that the sort of response you are looking for, or would you look for some firmer commitment to some of your key projects?

Cr RYAN — We would want to see figures, and we would want to see where it is coming from. We want a guarantee.

Ms TIERNEY — Good morning, Councillor. It is good to see you. Being the last person means that most of the questions have already been asked —

The CHAIR — Not quite. There is Mr Drum.

Ms TIERNEY — but I use the opportunity to thank you for your very strong advocacy in relation to infrastructure and particularly regional roads over the years, and particularly in your capacity with the Great South Coast Group, and indeed I recognise, like Mr Purcell mentioned, that the south-west food bowl is the strongest growing that we have in the state. Of course it is in everyone's interest to ensure that we have the infrastructure to get food to port in the most efficient way possible. Have you had an opportunity — has your group had an opportunity — to sit down and talk through these issues with Treasurer Pallas at this point?

Cr RYAN — I spoke with Mr Pallas at a forum at Warrnambool, but we have not had the opportunity to sit around a table and discuss the specific requirements.

Ms TIERNEY — Do you have plans of initiating that conversation or that meeting?

Cr RYAN — Yes, we do.

Ms TIERNEY — Is that scheduled?

Cr RYAN — Not as yet.

Ms TIERNEY — Without wanting to pre-empt that meeting in any way, what sorts of things do you see as a priority for discussion at that meeting? Obviously road funding, freight rail — —

Cr RYAN — What I have discussed with you here this morning.

Ms TIERNEY — What would you be seeking from that meeting?

Cr RYAN — A commitment and guarantee that those projects will be funded.

Ms TIERNEY — Do you expect there to be some traction with the Treasurer with that, particularly given that I think he was the author of the green triangle freight truck plan, wasn't he?

Cr RYAN — Yes. I cannot pre-empt anything. We will have to wait until we have that discussion.

Mr DRUM — Have you read any of the evidence that has been given to this committee previously at all, Councillor?

Cr RYAN — I have read a couple of the transcripts, yes.

Mr DRUM — Did you read the VFF's submission?

Cr RYAN — Yes.

Mr DRUM — Would you agree with their synopsis that they believe a much fairer distribution of the proceeds should be spent in the regions? I suppose that is going along your own lines. Did you read that?

Cr RYAN — I do not agree with everything that the VFF has said, but I agree in principle that a greater amount should be spent in the regions.

Mr DRUM — Have you taken any interest in the capacity of the existing port of Melbourne and when that is likely to reach maximum capacity?

Cr RYAN — I am not in a position to be able to comment on that.

Mr DRUM — Is the concept of making provision for a future port entering into your calculations at all?

Cr RYAN — I am not in a position to comment on that.

Mr DRUM — That is fine.

The CHAIR — Cr Ryan, thank you very much for your evidence this morning. The committee will have a draft transcript to you in the next couple of days for any factual corrections you wish to make. We appreciate your attendance here in Horsham today. It is obviously a fair hike for you, and we appreciate your evidence. Thank you very much.

Cr RYAN — Thank you, Chair and members.

Witness withdrew.