

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 14 October 2015

Members

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Mr Craig Ondarchie

Mr Daniel Mulino — Deputy Chair

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Research officer: Mr Anthony Walsh

Witnesses

Mr Mark Assetta, Chief Executive Officer, and

Mr Tony Assetta, Director, Austrak;

Mr Kel Baxter, Chairman, Farmer Packing Group and Owner, Baxter Transport; and

Mr George Warne, Senior Consultant, RM Consulting Group.

The CHAIR — I reopen the Legislative Council Port of Melbourne Select Committee public hearing in relation to the proposed lease of the port of Melbourne. I welcome witnesses from Austrak: Mr Mark Assetta, Chief Executive Officer, and Mr Tony Assetta, Director; Mr Kel Baxter, FPG Chairman; and Mr George Warne, Senior Consultant, RM Consulting 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 or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide today is protected by parliamentary privilege; however, any comments made outside the hearing may not be so protected. All evidence is being recorded by Hansard, and you will be provided with a proof version of the transcript in the next couple of days for any corrections.

I invite you to make a brief opening statement of no more than 5 minutes if you wish, and the committee will then proceed to questions. Of course we have already received your written submission and thank you very much for that.

Mr M. ASSETTA — Thank you very much, everybody. My name is Mark Assetta, Chief Executive Officer of Austrak. I thank you for your time today to hear what we believe to be of most importance — that is, with the lease of the port of Melbourne, it heavily impinges on not just ourselves and not just others in industry but the likes of this gentleman next to me, the Chairman of Farmer Packing Group, Kel Baxter, from New South Wales. And I would like to say that it is of most importance that, whatever is done with the lease of the port of Melbourne, it has in fact got something with rail infrastructure in it. I asked, and I actually asked more than once, for a commitment from this government prior to the lease that moneys be spent on rail infrastructure within the port precinct and within the three designated intermodal ports in and around Melbourne — being the north, the south-east and the west.

We are a private concern, as Salta is also, and we are of the belief that it has taken numerous years to get to where we are today, and after the expenditure that our respective organisations have spent in the prolonging and also the reduction of costs in and out of the port of Melbourne it is imperative that these funds be committed immediately and are actually taken away from the lease per se. There are a number of things that need to happen within the port precinct — rail is in fact the future of the port of Melbourne. We are losing ground at a rate of knots because of the inefficiencies in and around the port — the congestion, the truck queueing, a whole host of things. I will not go into detail as to where, why and how, suffice it to say that unless this is done Melbourne will become a second-grade citizen.

Where it was no. 1, I believe we are now no. 2 in the country, and possibly — after the sale of Darwin recently — we could be the third. I personally, my family, after what they have gone through and what we have expended — and it is easy talk, but to put money where your mouth is is a little bit more difficult and we have done that over the last two decades and have not made one step backwards in the belief in the future of the port of Melbourne. I strongly, strongly request that funds and infrastructure be put in place immediately outside of the lease of the port of Melbourne.

Our document speaks for itself. It shows clearly, I believe, what we are trying to achieve and it is an answer in its totality, as to the result of that being in place, how Melbourne will change and how Melbourne will grow and, more importantly, how industry — this gentleman next to me — will endeavour to go via the port of Melbourne as opposed to possibly the port of Botany, because he does have a choice. I cannot say strongly enough: remove the funding from the lease and apply it immediately to the change in infrastructure we require at the port.

The CHAIR — Thank you, Mr Assetta, can I take you to that point? And you would be aware that the committee has heard from Sam Tarascio on behalf of Salta.

Mr M. ASSETTA — Yes.

The CHAIR — Why is it your view, or Austrak's view, that that commitment to the intermodal terminal must be made before the lease is executed?

Mr M. ASSETTA — Because there are a number of decisions that are about to be made and are going to be made — and one is right next to me, right here — that could change the requirement. If we lose those commitments, then we have lost everything.

The CHAIR — When you say decisions are going to be made, what do you mean?

Mr M. ASSETTA — Kel Baxter next to me has been working on a project for over two years as the Chairman of the Farmer Packing Group to export grain out of the port of Melbourne. He also has a fleet of trucks; he has one of the largest fleets around in grain. We have been working with Kel now for about 18 months. He has been working on it for approximately two years, and a decision he is going to make imminently will affect this requirement. It is not just Kel, and that is why he is here today, but there are other organisations. Predominantly what Austrak has done is target exporters because we believe that unless you have the exports you do not have anything. We are just a net import country. We want Melbourne — we want Victoria — to be a net export port.

The CHAIR — So is the issue one of timing — the need for this?

Mr M. ASSETTA — Yes.

The CHAIR — So it is less a concern about the fact that it would follow the lease from a decision-making perspective and more about the need to have it in place quickly?

Mr M. ASSETTA — Correct. Quickly, or a commitment of that magnitude, so that Kel could be certain in making a decision and possibly come with us. He needs certainty.

The CHAIR — Can I ask, Mr Baxter, what are the decision parameters for you?

Mr BAXTER — I will just go back a little bit. Since the deregulation of the grain industry and the demise of the Australian Wheat Board, we have seen grain move towards the container market. We are seeing fewer bulk ships going to the Middle East and Europe than was the tradition. We are now seeing a huge increase in the amount of grain that is going into containers for export. We are in the southern half of New South Wales, in the Riverina area, but I work bulk trucks into all of the ports from Brisbane down to Portland. We move bulk to container packers.

My business is both farming and transport. I understand supply chain costs. I understand that Australia has some of the most expensive supply chain costs in the world, so containerisation of grain is a great opportunity. DCT pricing is better than bulk — you know, 50 000 tonne ships. You can put grades of grain in 25-tonne parcels and put them into Asia to the small mills, and they will pay a premium. What is the best way to box it? In our area increasingly we are looking at the Sydney option. I could not believe when I first started this project that every single container in the port of Melbourne still goes on a truck for the last little bit. I am a transport operator, but I want efficiency. We need to be able to bring grain in higher productivity vehicles to the outskirts of the cities, whether it be Sydney or Melbourne, pack it and shovel rail it to the port.

We are looking at a considerable investment here, with Austrak as one of the options. There is another very viable option put up in Sydney at the moment, at Enfield, which offers the same advantages. Logically it is downhill to Melbourne and it is over the Blue Mountains to Sydney. However, at a point in our area you are pretty much equidistant, and the rail is such an important part — shovel rail. A commitment in the port of Melbourne to fund the intermodal rail connections — we have looked at two or three different sites around Melbourne, and we have settled for what is logically the best, right on the Sydney-Melbourne line — which can bring grain in by rail, pack rail onto the port and change the mode at the outskirts of the city. It is just logic. We have the ability to gradually come to the edge of the cities with higher productivity road trucks as well as rail. There is an increasing amount of country grain lines that will probably be never upgraded and higher productivity trucks are running on some of the highways to strategic rail heads — the strategic rail head is Somerton to change mode there.

I can count the trucks going around the ring road, either going into Melbourne port terminal or through to Geelong. They are every few minutes during the height of the season. Our trucks battle with the traffic. Out at Somerton we could come in by road. We could shovel rail in containers to the port. We could shovel rail containers of fertiliser or even bulk fertiliser back to that point and backload the trucks out so they do not come

into the city. That is so logical. We would not like to think that that process would be held up by or at the whim of the lessee of the terminal. We must make that position going forward in this decision — that the MIRT is funded and there. To my limited knowledge, I am sure that increases the value potential of the lease. That is just an off-the-cuff comment, but you would have to think so.

The CHAIR — We have heard that before, yes.

Mr BAXTER — Yes. So that is our point today — clearly that there is a great future in the Melbourne port. It has a huge supply of import containers, which the very strong export agricultural industries of northern Victoria and southern New South Wales can see loaded back out of the port of Melbourne. That works for freight rates for the importers as well as the exporters and the shipping lines.

We are all witnessing the demise of manufacturing in Australia, but agricultural exports, whether it is companies doing direct farm sales of grain, whether it is some of the processing, like Murray Goulburn, whether it is rice growers — if you look at some of your bigger users, the dairy industry with all its milk powder or all those sorts of things — it is mainly going out in boxes. So many of those boxes are either coming by rail to within cooee of the wharf but not quite there, or they have been roaded all the way in. That is my point; that it is so important that you move. I am trying to do business with these people, but we are going to have a port shuttle or not? That is key to our business investment decision.

The CHAIR — Thanks, Mr Baxter. I think that is pretty clear where you are coming from.

Mr MULINO — Thank you for your written submission and for coming in today to give evidence. I wanted to start with a high-level question before getting down to a couple of questions on this proposal. Qube gave evidence this morning, and one of their observations was that their assessment of what has happened in New South Wales over recent years is that moving from a public to a private operator seems to have provided some impetus for exploring rail options among other ways of boosting volume, because of some of the incentives they have. Is that something you would agree with?

Mr M. ASSETTA — Yes.

Mr MULINO — One of the possibilities, if we manage things correctly, one of the benefits that we might be able to see, is that a lessee if they are incentivised in the right way might move to invest in ways that accommodate more volume over time.

Mr M. ASSETTA — That would probably be the case, but how far away that is we do not know, and whether the commercial aspects of making that happen or not are achievable and the commercial returns are achievable are also in question. What we are after is certainty.

Mr MULINO — In relation to the tendering process, are you aware that bidders will be required to put elements in their proposals which cover off on rail investment over the short and medium term, and that that will form part of the evaluation process?

Mr M. ASSETTA — Yes.

Mr MULINO — Is that an element of the process that you support?

Mr M. ASSETTA — Not really. I prefer that element taken away from the lessees to keep the MIRT and the rail infrastructure sacrosanct. I do not see anybody in this country being able to own the infrastructure that Australia has. Unless you want to sell all of the infrastructure Australia has, then that would be the case. But unless that is the case, I think something as important as that should be removed and controlled by government.

Mr MULINO — Okay. Going to the MIRT, as you know we have received some evidence from Salta, and I think you are referred to in their submission, and I think you refer to being in an alliance. I want to clarify the exact relationship just to get a better understanding. Is it proposed that it would be a joint venture or what would be the relationship between the two firms?

Mr M. ASSETTA — We are open to all suggestions. We are guided by government.

Mr MULINO — In terms of the two firms working together for that.

Mr M. ASSETTA — Correct.

Mr MULINO — My understanding of what happened in the previous term was that a proposal had been put, that it was evaluated and that the decision was made to move to a competitive process. Do you support there being a competitive process to deliver the outcomes that you think are good?

Mr M. ASSETTA — The competitive process takes as long as we have taken to build what we have built jointly. What Salta has provided and what Austrak has provided have taken over two decades. Are we going to wait two more decades to go through the competitive process and evaluate who can deliver three terminals in the requisite areas that government has asked for, when and why? I look at ourselves as being the total solution as opposed to an answer. This competitiveness has been around for the best part of two decades as far as I am concerned and nothing has come of it since.

Mr MULINO — Let us say there was a decision to achieve a certain set of outcomes and that it was not necessarily this specific proposal but something with those —

Mr M. ASSETTA — Similar lines, yes.

Mr MULINO — broad outcomes. Would you support a process which was undertaken within reasonable periods of time that allowed for others to compete with a right to?

Mr M. ASSETTA — Absolutely.

Mr MULINO — Okay. Thank you.

Mr M. ASSETTA — The answer is absolutely, but the time it would take is where my concern lies.

Mr MULINO — Thank you.

Mr BARBER — Thanks you for your submission. You have been very clear about those issues you have just pointed out. I just want to ask another one. I am thinking that to get a train from Somerton to the port you have to negotiate with ARTC, VicTrack, quite possibly Metro trains and V/Line as well — in terms of rail access?

Mr M. ASSETTA — Not in all cases. It depends whether you are using broad gauge or standard gauge.

Mr BARBER — Okay. Can you tell me how that has been working out for you lately?

Mr M. ASSETTA — We have the rail people — ARTC — that are currently negotiating what is the best one-stop way of us gaining access in and out. We are going through that at the moment, as we speak. The funding that is required is for the left-hand turn out of our terminal straight into the port. As a part of all of that, we would probably bypass a few of those access regimes, not in totality because Somerton has broad gauge and standard gauge. We are a dual-gauge terminal, and the expectation there would be to receive regional trains on the broad gauge network and send out shuttles on the standard gauge network, and if that was clogged, we would have the option of using broad gauge all the way through to the port as well.

Mr BARBER — And the site there, do you own that freehold or is that also some lease?

Mr M. ASSETTA — Yes, freehold.

Mr BARBER — It is really just the interface between your site and ARTC.

Mr M. ASSETTA — Correct.

Mr BARBER — There would have to some investment on somebody's land.

Mr M. ASSETTA — Well so far the investment and the connection we currently have have all been funded by us. We have not received a hand-out to date, and that started in '98.

Mr BARBER — Qube said this morning they have now announced they are pulling out of your site —

Mr M. ASSETTA — That is correct.

Mr BARBER — so what was the issue for them?

Mr M. ASSETTA — They could not get access into the port, and the only way they did it was by road.

Mr BARBER — At which end could they not get access?

Mr M. ASSETTA — At the port end.

Mr BARBER — Yes. The last — —

Mr M. ASSETTA — The last mile. It is that last mile that costs the most amount of money.

Mr BARBER — It is not even a mile in this case, is it?

Mr M. ASSETTA — No, not even a mile.

Mr BARBER — And it is 50 feet at your end?

Mr M. ASSETTA — It is 50.

Mr BARBER — I just think we should clear that up because we have been talking a lot about the first mile and the last mile when actually — —

Mr M. ASSETTA — It is not. In our case — would you believe? — it is 20 metres.

Mr ONDARCHIE — Less than a cricket pitch.

Mr BARBER — So it is an infrastructure spend at the moment. Is there an argument about price of access to the rail?

Mr M. ASSETTA — Not at this stage. Not at all; not at this stage. If that access were there today, I believe this gentleman here would be committing tomorrow, and I do believe that the day after we would have shuttles operating. Possibly what Qube decided was it was just too hard, and they tried for a very, very long time. Qube opted for Victoria Dock as their answer to Somerton, and we have taken it back with zest and are going forward with it, of course with the help of government.

Mr PURCELL — Thank you for the submission. It was well put together, and you have explained it very well. You have explained very clearly what you need out of the process. In summary what I think you are saying is that you really want the sale proceeds reallocated and want that done before the sale goes ahead?

Mr M. ASSETTA — No. There is a fund of \$58 million that has been there for the past nine years.

Mr PURCELL — And you just need that — —

Mr M. ASSETTA — We are not asking for the \$3.5 billion yet as part of the sale, but could we have the \$58 million?

Mr PURCELL — Does the \$58 million do it? Does that resolve the issues of the 20 metres and the 500 metres?

Mr M. ASSETTA — The \$58 million, which has been and is in budget, is primarily for the three intermodal terminals and the MIRT. What we would like to do is first and foremost access a left-hand turn out of Somerton, and the second spend is probably going to be in Lyndhurst and then the MIRT simultaneously, because without the MIRT we do not have access to both sides. That is what we need: on-dock access to both sides.

Mr PURCELL — I assume the \$58 million is in the budget?

Mr M. ASSETTA — Yes.

Mr PURCELL — The project is ready to go?

Mr M. ASSETTA — Yes.

Mr PURCELL — In your mind, why has it not happened then?

Mr M. ASSETTA — There has always been a reason as to why those funds are not expended. I cannot go into the politics of it, but I really do not know the answer to that question.

Mr ONDARCHIE — This is probably one of the biggest asset realisations this state will ever see. The government would say to you that they are going to ask the bidders to propose some rail infrastructure works around the MIRT and maybe the three sites as well; that will be part of the bidding process. They will say to you that they are going to ask Infrastructure Victoria to have a look at it and see what happens, or they might very well say — —

Mr M. ASSETTA — Another study.

Mr ONDARCHIE — Or they might say, ‘Just trust us. We’ll work it all out’. Are you saying to us you want a firm commitment to the port rail infrastructure at the three sites and at the MIRT —

Mr M ASSETTA — Yes.

Mr ONDARCHIE — as part of this lease process?

Mr M. ASSETTA — Yes.

Mr ONDARCHIE — A firm commitment that this is going to happen as an outcome of the lease process, is that what you are asking for?

Mr M. ASSETTA — Absolutely. Once we have that, this gentleman next to me I can safely say will be in Somerton, and we will have grain through the Riverina and New South Wales coming through Melbourne port.

Mr ONDARCHIE — Thank you. My next question is to Kel. You have been around a long time. I am not talking about your age here; I am talking about your experience.

Mr BAXTER — I am not offended.

Mr ONDARCHIE — If this does not happen, if we do not get a commitment to make this happen, what do you think the potential impact on jobs in Victoria is going to be?

Mr BAXTER — Very considerable, because I am well aware that a lot of export jobs around the port in container packing and so forth will probably go. This new terminal is already being established in New South Wales. There is one just out of Leeton, between Leeton and Griffith, and it could go either way. There is a huge growth in export containers; I have mentioned that earlier. I cannot put a number on it, but it is business that will leave if Melbourne does not move very smartly to get more efficient handling of containers at the wharf. There are people here, some have made submissions, that have a business in double handling the containers. They pick them up from one spot, put them in their yard, pick them up again and taken them down to the port. Do you think that costs? Definitely does. They make a business out of it.

Mr ONDARCHIE — Somebody pays for that?

Mr BAXTER — Absolutely. Yes. At the end of the day it is the exporters, it is the supply chain costs that I was talking about, so it is your regional economy as well, jobs out there. We are an import/export nation. We have got to do it smart, and then we will have more business and then we have jobs.

Mr ONDARCHIE — This is a great opportunity for us to get this right now, isn’t it?

Mr BAXTER — Yes. That is why Mark is pressing the point that you talk about more investigations, the whole process of lease or sale. As a precedent to all this process, the government needs to be committing that this is how it will be, and in the meantime if there are funds out there — —

We are looking in the first-year at 300 000 tonnes of grain coming in boxes up to 400, and we are only talking about 5 per cent or 7 per cent of the Victorian grain crop coming through the facility, so there is growth after

that. As I mentioned earlier, from an efficiency point, even with the bulk trucks that are coming here to load bulk ships still, some of those trucks could have an efficient turnaround into a bulk wagon train too. If the government is serious, and I hope they are, about getting some trucks out of the metro area of Melbourne — and giving us all a bad name while we do it, because we have not got any other options — they need to get on with it. Do not miss the opportunity to do it now and leave it to the whim of one of the bidders and all their commercial drivers, which may be not quite what you think. It just seems so important to somehow remove that option from the bidding process — that is a given; that will be developed. Even the operation of the train, it is certainly in private hands — do not worry about that — but that is not necessarily my view, and I have limited views. But I think that is something that needs to be programmed like it is part of the suburban network, not the freight network, privately owned — —

Mr M. ASSETTA — Not the enemy.

Mr BAXTER — Not the enemy, and be an obligation on the lessee of the port to turn that train around.

Ms SHING — Thank you, gentlemen, for the submission, and also the attachment. I see a letter from Sam Tarascio of Salta. At the outset I would just like to note that it seems to be very much your preference to be working hand in glove with Salta on its proposal. Mark, I would just like to confirm what I understand to have been the position that you put in response to a question from Mr Mulino earlier — that you would support a competitive process to determine the operator of a rail option along these lines.

Mr M. ASSETTA — Yes.

Ms SHING — So you would very much like it to be you, but you would be open to a competitive tender process?

Mr M. ASSETTA — When you are in the position we are, you should not be afraid of competition.

Ms SHING — Okay. On that basis, I would just like to talk through what conversations you have had with stevedores around this particular option, and if those conversations have taken place, what are the positions that have been expressed to you around this particular proposal?

Mr M. ASSETTA — With the stevedores, we only have access to one, not the other. Currently our only access is into DP World.

Ms SHING — Which have on-dock rail as part of their investment at West Swanson?

Mr M. ASSETTA — That is correct.

Mr WARNE — Not quite.

Mr M. ASSETTA — Not there yet, but nearly there.

Ms SHING — They are in the process of — —

Mr M. ASSETTA — Yes.

Ms SHING — They estimate that will take 27 000 trucks off the road every year.

Mr M. ASSETTA — Correct.

Ms SHING — What has been the upshot of those conversations?

Mr M. ASSETTA — They have asked for us to commence, and we have said we are in the process of accessing the funds required to left turn straight into the port.

Ms SHING — They have formally asked you to commence the process?

Mr M. ASSETTA — Yes.

Ms SHING — Okay. Why have you only had conversations with DP World?

Mr M. ASSETTA — Because Asciano on the other side is busy with their rail. The access into their terminal has a further leg to it, which becomes hugely expensive, so we are not on dock.

Ms SHING — So on that basis you are not interested in having the conversations with Asciano on the other side?

Mr M. ASSETTA — Not at all, because there is no difference, if I have got on dock at one, paying for a truck to go to the other, as it is getting into Asciano and paying for a truck to get into them.

Ms SHING — Your only focus, then, is for DP World product as far as — —

Mr M. ASSETTA — At the moment our focus is DP World, because it is on dock.

Ms SHING — And that is your only focus at this stage?

Mr M. ASSETTA — At this stage. Until they have got on dock, that is our only focus.

Mr BAXTER — The issue is that some shipping lines go to DP World, some — —

Mr M. ASSETTA — Both ways.

Mr BAXTER — So having to move boxes from one stevedore to the other is, once again, less than efficient if one is on rail and one is not.

Ms SHING — How formal is the request from DP World to commence that work immediately?

Mr M. ASSETTA — That is commercially sensitive, that one, but suffice it to say that if we had the left-hand turn in, we could start tomorrow. I made that statement before.

Ms SHING — I just want to pick up, Kel, on some of the comments that you made about goods to market. You said, ‘Uphill through the Blue Mountains and downhill to Melbourne’, which I think is a pretty neat summary of the geographic outlay to somebody who perhaps is looking at Australia for the first time and wondering why it is not Austria. What is your view on the Murray Basin rail project, which is the \$416 million commitment to actually free up that freight chain?

Mr BAXTER — Bring it on, but I am not really that familiar with that project. I am not seeing evidence of it. George may be able — —

Ms SHING — Sorry, gentlemen. I did not mean to cut off anybody else who might want to contribute.

Mr WARNE — I have just completed an infrastructure study for New England and the north-west, and the powerhouse there is the Moree and the Narrabri shires. The Moree and the Narrabri shires are both very dependent on the Brisbane port and the Sydney port. I asked 47 respondents what they felt about the inland rail proposal. They were all enthusiastic and none of them thought it would be in their planning horizon. They like the project. None of them believe anything is going to happen for five years.

Ms SHING — Okay, but people do support — —

Mr WARNE — It was a universal view.

Ms SHING — But people support the project?

Mr WARNE — They think it is a terrific initiative. My friend Peter Birch, who runs B & W Rural in Moree, bought the site in 1994, adjacent to the railway line, on the basis that it was going to be on the Melbourne–Brisbane rail. He said, ‘Here I am 21 years later and people are telling me it is more than five years away’. It is a terrific proposal; it is an important initiative. It is supported by communities right up and down the region, but a lot of people feel it is some way off.

Ms SHING — Finally, again to pick up, I think, a comment, Kel, that you made around people leaving the port of Melbourne if they do not get efficiencies very, very smartly, and again talking about the discussions that you are having with DP World, how do you reconcile the comment that you made on the one hand around

people leaving the port of Melbourne with DP World's investment in the on-dock rail and recommitment to a lease until 2065?

Mr M. ASSETTA — Very, very simply: it is only one side of the port. We have still got the cost to get to the other side. Kel, for example, does more business at times through Patrick than he does through DP World, so there is an extra charge he will have to incur. Although we are on one side, he will have to incur an extra charge to get to the other side. Sometimes that charge is greater than the actual task of getting the box to the port.

Ms SHING — But the sole focus from you, just to pick up on your earlier answers, has been on DP World and only DP World?

Mr M. ASSETTA — Absolutely.

Ms SHING — Thank you, gentlemen.

The CHAIR — Gentlemen, the committee thanks you very much for your evidence this afternoon and indeed your written submission on behalf of Austrak. We may have some follow-up matters as the inquiry goes on. We thank you for the presentation as well. It has been very, very helpful.

Witnesses withdrew.