

CORRECTED VERSION

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Geelong — 24 September 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Craig Ondarchie

Mr Daniel Mulino — Deputy Chair

Mr James Purcell

Mr Greg Barber

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Mr Damian Drum

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Secretary: Mr Keir Delaney

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Witness

Ms Bernadette Uzelac, Chief Executive Officer, Geelong Chamber of Commerce.

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 request that all mobile telephones now be switched off. I welcome Bernadette Uzelac, the chief executive officer of the Geelong Chamber of Commerce. I thank you for making yourself available to the committee this afternoon.

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 information you provide today is protected by law; however, any comments made outside this 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 to hear from the chamber this afternoon. I would invite you to make a brief opening statement if you would like, and then the committee will proceed with questions. Thank you.

Ms UZELAC — Thank you, Chair. To begin with, a little about the Geelong Chamber of Commerce to provide you with some context for our submission and what aspect we are looking at from our point of view. The Geelong Chamber of Commerce was established in 1853. It is the largest chamber in Victoria and the second oldest chamber in Australia. It represents around 850 members and 35 corporate partners that represent businesses from all walks of life, from small business to large corporates, not for profits and government enterprises. It is a very broad membership base. Our membership spans all cross-sectors of the business community and is representative of the business demographic in Geelong. Our members collectively employ over 23 000 people, which equates to around one-third of Geelong's workforce.

The chamber's role is to support business and economic growth in the region and to advocate on behalf of our members. In addition to our regular networking events, which we hold on a monthly basis and attract between 300 and 350 people, the chamber delivers a number of programs, including the Geelong Business Excellence Awards; a small business advisory service, which is called Small Business Smart Business; and Geelong Young Professionals, which is a networking group for future business leaders. We are the voice of business in the Geelong region and act as a regional chamber for the many smaller business groups and networking groups that operate throughout the G21 region.

In relation to this bill, the Geelong Chamber of Commerce is broadly supportive of the Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015. However, we want to ensure that the bill does not preclude the ability to establish a second port in Victoria during the term of the 50-year lease or the further 20-year extension period. The chamber in particular is supportive of the establishment of a second Victorian container port at Bay West, as anticipated growth in the western suburbs of Melbourne, including Geelong and the western region of Victoria, may see the need for a second port within that time frame. The chamber does not make any comments about when that may happen, but we certainly want to remain open to that possibility within that time frame.

The chamber is keen to work with Infrastructure Victoria in reviewing the need and siting for a second container port for Victoria given the Geelong region's projected growth and the important future role it has as a major transport and freight hub with access to road, rail and air and port infrastructure.

The chamber also understands that port of Geelong users require access to shared shipping channels, and accordingly we would like to ensure that these users are not disadvantaged or restricted in their access to shared shipping channels. The chamber supports the role of the Victorian Regional Channels Authority to continue their important function of management of shipping channels at the port of Geelong.

In conclusion, the chamber is broadly supportive of the bill with the provisos that it does not restrict or limit the establishment of a second port, that it does not restrict movement or access by port of Geelong users and that it does not impact upon the important role of the Victorian Regional Channels Authority. The chamber would also like consideration to be given to some of the proceeds from the lease being applied to further develop and invest in key infrastructure projects in Victoria, especially those that can help drive further economic growth within the Geelong region.

Further investment in the port of Geelong and assistance to realise the long-term vision of Avalon Airport to become an international air freight hub and central to a regional intermodal freight hub are examples of where the chamber believes such an investment can have maximum impact in our region. Thank you for this opportunity to present today. I am happy to take any questions.

The CHAIR — Thank you, Ms Uzelac, we appreciate your attendance this afternoon and the written submission that was also provided by the chamber earlier on in the committee's proceedings, on 11 September. One of the issues that is articulated in your submission and in your presentation this afternoon is the chamber's view that the lease transaction should not preclude the development of a second container port for Victoria. Previous evidence that the committee has received, and increasingly receives, suggests that it is improbable that Victoria will have two operating container ports — the port of Melbourne and a second container port — given the capital investment that is required by a port operator as well as stevedores and shipping operators. The most likely scenario is a switchover from the port of Melbourne to the second port at a point in time.

The lease that is envisaged for the port of Melbourne suggests the capacity of the port of Melbourne is up to three times its current operating level. So there is capacity to expand by a factor of three before constraints will be reached at the port of Melbourne. Does the chamber have a view, given your view that a second port should not be prevented or slowed down by the lease, as to whether a lease that would see the port of Melbourne grow by a factor of three before a second port comes online is consistent with your expectations of the development of a container port for Victoria and where you might see a second container port developed?

Ms UZELAC — I do not think that that is inconsistent with our view. I think that the need obviously needs to be demonstrated before a second port can be established or considered, so obviously there would need to be a degree of growth in the Melbourne port before that need could be demonstrated. We are of the view that we would want to see that need clearly demonstrated and supported with evidence before that case proceeded. I do not think we would disagree with that.

The CHAIR — You outlined that you have a very large membership base in your chamber. Have your members expressed views around the regulatory framework that is going to apply to a leased port of Melbourne and whether that regulatory framework provides adequate protection for users of the port in terms of controls over cost estimation?

Ms UZELAC — No, that is not an area that we have considered.

The CHAIR — The other key area of your verbal submission related to the proceeds of the sale and your call for a reasonable proportion of the proceeds to be invested in regional Victoria. Does the chamber have a view as to what proportion of that total price is reasonable for investment in regional infrastructure, and are you able to articulate the types of infrastructure the chamber would like to see in the Geelong region? You touched on Avalon Airport-related matters. Does the chamber have a specific view on any specific projects in that regard?

Ms UZELAC — We do not have a particular view in terms of the percentage of funds that should be directed towards regional projects. I think that is a matter for Infrastructure Victoria and the government to consider in due course, in consultation obviously with key stakeholders. We would obviously need to look at that down the track and have consultations around what is a fair and reasonable expectation around that, so no, we do not have a specific view on the percentage at this point in time. I think it would be premature to try to put a figure on that. I think what we really are flagging at this point in time is that consideration needs to be given to that notion of investment in regional Victoria and particularly Geelong as Victoria's second city as it is a very major economic driver of the Victorian economy.

In terms of the types of infrastructure that funds could be invested into, I have mentioned a couple there — further growth of the port of Geelong because it is a very important economic driver in our region, and Avalon Airport, whether that requires infrastructure specifically or whether that is more support to assist with the establishment of international freight and logistics. Other projects — again it is probably a little premature. There are a number of key projects in this region such as a convention centre and other priorities which are currently under consideration in other jurisdictions and are being looked at already, so I do not think that is probably a matter for this particular inquiry or the port of Melbourne discussion at this point in time. I would say that the key priorities that the chamber would be looking at would be around those infrastructure-enabling

projects that relate to freight and logistics, and realising the opportunities in this region, because we are blessed with all of those key logistics of road, rail, port and air, to be able to really capitalise on the strengths.

Mr MULINO — Thank you for your evidence and for your submission. So your board is supportive of Infrastructure Victoria, as an independent expert body, having a detailed look at the complicated issue of the location and timing of a second port?

Ms UZELAC — Yes, we are.

Mr MULINO — I would be interested if you could spell out for us some of the reasons that you might be providing to Infrastructure Victoria, once they have a reference, as to why you will be arguing for the second port to be located in this region?

Ms UZELAC — It is predominantly because of the growth in this region and the western part of Victoria. It is a hub for agribusiness in particular. The food bowl of Victoria is located really in this region, and because we have a second airport it makes a lot of sense to be able to really hub this entire area for freight, logistics, container and shipping movements. There is a lot of land there. It is not impacting upon residential activities, and it serves a very broad area of development along the western region of Victoria. Our view is that it would create an enormous economic driver for the Geelong region and business and the economy.

Mr MULINO — Finally, just on the issue that you flagged of not restricting the establishment of a second port, we have heard a lot of evidence on this issue. In its submission the DTF put the proposition that they will be structuring that part of the lease in such a way that there will be a threshold, which will actually be ultimately set by the market, which would be a natural, sensible measure of the amount of throughput for the port of Melbourne to reach before we start operating a second port. The rationale for that would be that it would provide enough security and certainty for the lessee to invest as is required at the port of Melbourne. Are you broadly supportive of that approach, subject to a sensible limit being set?

Ms UZELAC — Absolutely. It needs to be commercially viable for the lessee and we certainly would not want to preclude any competitive advantages that that would have in taking on the lease. We would absolutely be supportive of that position.

Mr BARBER — Apologies if you have already answered this because I came in late. Which of your members are current users of the port of Melbourne?

Ms UZELAC — I could not give you that answer definitively, and privacy probably restricts me from being able to give you the names of our members who would be using the services.

Mr BARBER — But obviously you have some users who use the port of Geelong, because that is a strong emphasis of your submission. What issues do they have in terms of the current port down there? Is it infrastructure access, port capacity? Do you have any problems with the private port operator?

Ms UZELAC — No, we are not experiencing any feedback from our members that they are having any problems. We mentioned in our submission that we want to ensure that current port of Geelong users were not disadvantaged in any proposed lease of the port of Melbourne, as there is currently some shared shipping channel activity.

Mr PURCELL — Thank you for the presentation. I note on page 3 in the conclusion of your presentation that you have put three provisos there. The first one is to not restrict or limit the establishment of a second port, and another is effectively to make sure the port of Geelong is not affected, which are excellent. But it seems that the chamber is supportive of the bill. Can you briefly tell me what benefits you can see as a chamber that the port is leased rather than publicly operated?

Ms UZELAC — Obviously there are benefits in both models, and as this particular inquiry is around the proposed lease our view is that the freeing up of capital to put into infrastructure projects within Victoria — and I understand that much of the funds will be going towards level crossings in Melbourne — is obviously a good thing for Victoria, so the chamber supports a lot of those initiatives because they improve Victoria and they improve Victoria as a state in which to do business. Those are probably the reasons why we would be supportive. I think there is due consideration being put towards the lease. There are really no downsides from

our point of view in terms of leasing the port of Melbourne on the model that has been put forward, provided the stakeholders that I have identified are not disadvantaged in their ability to be competitive and to operate.

Mr ONDARCHIE — Bernadette, it is good to talk to the chamber of commerce today. Geelong has confidence in this AFL team of yours here in Geelong; I am almost tempted to ask you about the grand final parade public holiday.

Ms SHING — Be careful of your editorial there, Mr Ondarchie.

Mr ONDARCHIE — I am sure the chamber has a view about a parade holiday in Melbourne that affects Geelong. But I do not want to ask about that because I want to talk about your submission today, where you are very supportive of the second container port at Bay West and what that means for the chamber and the creation of jobs, most importantly for future generations down here in Geelong. But I want to draw your attention to a comment that was made by the Treasurer, at the time the Minister for Roads and Ports, in August 2009, when he said this:

The port of Hastings is well positioned to serve as Melbourne's second container port.

...

No other port location offers the same overall advantage as Hastings and it holds major economic potential for the state of Victoria.

The then minister for ports, now the Treasurer, said that.

Ms SHING — That was six years ago. A lot's happened since then.

Mr ONDARCHIE — He still said it! Given your support for Bay West, how do you then, as the chamber, feel about the Treasurer's passion for the port of Hastings?

Ms SHING — Given his expressed preference for Bay West.

Ms UZELAC — I am not here today to comment on comments made by a previous minister, but I am here today to express my support and the chamber of commerce membership's support of Bay West, which is obviously in the Geelong region and supports economic growth within the Geelong region. Anything that supports economic growth within this region is something that we would support. However, we understand there is a process involved. Infrastructure Victoria is assessing that, and we totally support the independent assessment by Infrastructure Victoria in ascertaining the best site for that second port when that time comes. We would be very pleased to be part of that discussion, to input what we know into that discussion. But you are right that a second port on the western side of the state would drive huge economic growth for this region and would have a massive spin-off effect in terms of our economy and business growth.

Mr ONDARCHIE — Given Infrastructure Victoria are potentially going to look at this and we do not know if there will be a referral for the second container port, because this 70-year monopoly talks about not having a second container port unless they offer some sort of cashback to whoever owns it — —

Ms SHING — It's 50 years, though, isn't it?

Mr ONDARCHIE — Fifty plus twenty equals seventy, but anyway. Does that not put the chamber in conflict with the Treasurer, who has expressed a view about Hastings, saying that no other port location offers those advantages?

Ms UZELAC — No, I do not believe we are in conflict with the Treasurer, and I think that — —

Mr ONDARCHIE — No, I think he is in conflict with you.

Ms UZELAC — Again, I am not here to comment on comments made by the Treasurer. I think my role here today is to represent members of the Geelong Chamber of Commerce, many of which are small businesses in this region — mums and dads businesses, family businesses — and I do not think that is a matter that they would wish us to comment on today.

Mr ONDARCHIE — That is fair enough. But given that you have indicated some support for Infrastructure Victoria's establishment and they will go through the process, it seems, though, that the Treasurer has already decided.

Mr MULINO — No, he hasn't.

Ms SHING — He just hasn't. That is actually just factually incorrect.

Mr ONDARCHIE — I am just saying, 'No other port location offers the same overall advantages'. That's what he said.

Ms SHING — He has also subsequently indicated the preference is for Bay West.

Mr ONDARCHIE — So he has misled us, has he?

Mr MULINO — She has already answered this question.

Ms UZELAC — As I understand it from the briefings that I have had on this matter from the Treasurer and from others, there have been comments made along the way — and I think that is part of politics as well, that people will make comments one way or the other — and changes can occur as well. From what I understand now, the view is that Infrastructure Victoria is going to be the body that will independently assess whether the Bay West or Hastings solution is the right solution for the second port of Victoria. We fully support that. Of course we have a bias and a leaning towards Bay West, because that is within our region and that would provide economic growth and benefits for our members and businesses in this region. I hope that answers your question.

Mr ONDARCHIE — Short of the chamber's view on what the Treasurer is thinking, I am done.

Ms TIERNEY — Nice try! In arriving at the position that the chamber has adopted, how have the government assisted in that? Have they been accessible? Have there been briefings of your board? Are there any remaining questions in terms of process that the chamber still has in relation to that? Going forward, what sort of ongoing consultation do you need from the department and the Treasurer?

Ms UZELAC — There has certainly been accessibility in terms of this process. The Treasurer made himself available to the board of G21, which I sit on. I represent the business community on that board. I sit on that board as head of the chamber of commerce and there was a full briefing of that board, which I participated in. There have been a number of activities in this region. There was also a G21 and Committee for Geelong forum a little while back as well looking at the issues of the port and the siting of the port. There has been a lot of information that has come through and that we have received and been privy to. I think the process has been quite good, and I think going forward further updates, continuous updates, would be important, particularly for the chamber of commerce directly. We would appreciate perhaps the Treasurer briefing the chamber board and members on where things sit with the port.

Mr ONDARCHIE — We would appreciate him briefing us too.

Ms SHING — You have just got to ask.

Mr DRUM — Thank you, Bernadette, for coming in. My understanding is that your group's support for the lease that is in front of us, which we are dealing with now, is very much contingent on the fact it does not preclude the establishment of a second port, preferably at Bay West.

Ms UZELAC — Yes.

Mr DRUM — You are also very keen to see Infrastructure Victoria choose where a second port may be — take the politics out of it.

Ms UZELAC — Yes.

Mr DRUM — Have you and your members read, for instance, of VECCI's concerns in relation to the establishment of a second port, considering the compensation clauses that exist within this lease?

Ms UZELAC — I am not fully apprised of the compensation clauses. I am aware of VECCI's position around the siting of the port and therein we would probably conflict; however, that is understandable because we represent the Geelong region. But I am not fully aware of the compensation clauses you mentioned.

Mr DRUM — VECCI have some serious concerns that the compensation clause effectively precludes any future government investing in and building and operating a new port while there is still capacity at the existing port throughout the life of the lease, which could be 50 years or it could be 70, depending on whether or not the extension is picked up. Within that 70-year period, VECCI have some real concerns that if compensation has to be paid before capacity is met, that is going to preclude the investment in a second port, irrespective of where Infrastructure Victoria suggest it should be built. This is the concern that the committee has to try to deal with in relation to trying to judge how, where, when — but predominantly when and how — a second port can ever get up and be operational when this compensation clause is hanging over this lease agreement. You have not had a chance to read the compensation clause?

Ms UZELAC — No, I have not.

Mr DRUM — Because it seems as though it has this very strong — —

Ms SHING — She is indicating that she has not read it.

Mr DRUM — I stayed quiet through your questions.

The CHAIR — Continue, Mr Drum.

Mr DRUM — Do you think your members would be interested in exploring that issue further?

Ms UZELAC — Yes, I am sure they would be, and that is something that we will further follow up.

Mr DRUM — That is fine. Thank you.

Ms SHING — Thanks, Bernadette, for coming along and giving your evidence today and for answering the questions of the committee with further oral evidence. I note in answer to one of the other questions that you are a board member of G21, as far as the chamber of commerce or commerce section of G21 is concerned — my apologies for not perhaps getting the governance structure correct. I was just wondering whether you had had an opportunity to see the G21 position as it has been put in the submission to this inquiry, and if you want to make any comment on the similarities and/or differences in priorities or in the focuses that you have adopted respectively around your position on the proposed lease.

Ms UZELAC — I have seen the submission. It was not something that necessarily influenced our position today. However, I believe there is probably a uniformity of opinion amongst leaders in the Geelong community around this particular issue, so I am not surprised if there are some similarities.

Ms SHING — So you have both indicated support for the bill with the provisos that have been outlined around no restriction or limitation on the establishment of a second container port or restriction on movement or access by port of Geelong users, and in addition to that you indicated in your submission that it does not impact upon the important role of the Victorian Regional Channels Authority. Have you been apprised of the detail of the agriculture fund which has also been referred to as a potential set of gains and further funds that may be available following the lease of the port of Melbourne in the terms proposed?

Ms UZELAC — No, I have not, but I would be interested in learning more about that.

Ms SHING — Fantastic. I will put that through. Thank you.

The CHAIR — We still have 10 minutes or so remaining in case you have issues left. There are a couple of other matters I would like to follow up on. The first goes to the recommendations the chamber has made in your submission. You spoke about the role you see Infrastructure Victoria playing in setting out a port strategy for Victoria. The chamber also indicates that we should ensure that the lease is consistent with that strategy. Given that the lease is proposed to proceed forthwith in a very short period of time — this calendar year or the next year — is it the chamber's view that that should be put on hold pending that work being undertaken by

Infrastructure Victoria so that we can be certain that the lease transaction is consistent with an overarching port strategy for the state? Would you prefer to see that work done before the lease is put in place?

Ms UZELAC — I probably cannot comment on that. I am not really probably sufficiently apprised of the facts to know what would be the best strategy around that.

The CHAIR — But insofar as your submission says at 5.3, ‘Ensure that any lease of the port of Melbourne is consistent with Victoria’s port strategy’, you would like to see that strategy developed first, obviously, before the lease is put in place so that we can be assured of that consistency.

Ms UZELAC — That would make sense, but as long as it did not delay the process unduly. I think if that could be done within a relatively reasonable time frame, then that would make sense.

The CHAIR — Currently the lease legislation in Parliament — it is the government’s intention that that is designed to pass if at all possible before the end of the coming year and proceed to the transaction. You would be comfortable in seeing, say, a six-month delay or thereabouts which would allow that work to be done by Infrastructure Victoria first to ensure that there is an alignment between the lease and — —

Ms UZELAC — I think a number of factors would need to be considered. There are obviously commercial considerations involved as well that we have to consider, and the longer it was delayed, the more impact it is going to have on those major parties, so there has to be a balance here. I would not want to see it delayed too long — I think six months is probably too long. However, I think some consideration needs to be made.

The CHAIR — Just on that, a quick question: why do you find it is too long for a transaction that is going to have a 4, 5, 50-year impact?

Ms UZELAC — It is probably not my area of expertise to really comment on. You are asking me a question that I do not really have enough understanding of the situation to be able to comment on effectively.

The CHAIR — Can I just ask also with respect to your recommendation on the issue of a reasonable proportion of proceeds going to regional Victoria? I assume you refer to the regional fund the government has set up and committed \$200 million to regional infrastructure and other activities from the proceeds. The proceeds have been estimated as \$5 billion, \$6 billion, \$7 billion — that order of magnitude. In the chamber’s view is that proportion — \$200 million out of \$6 billion — the type of proportion you are looking at when you suggest a reasonable proportion should go to regional Victoria?

Ms UZELAC — I was not really suggesting any particular proportion. I think that needs to be considered down the track. It is not a decision you can make up front at this point in time because there are too many other considerations to be made and to be viewed to be definitive on that.

The CHAIR — Thank you very much for your evidence this afternoon and your submission on behalf of the chamber. The committee appreciate your efforts.

Ms UZELAC — Thank you very much, Chair.

Witness withdrew.