

# CORRECTED VERSION

## PORT OF MELBOURNE SELECT COMMITTEE

### Subcommittee

### Inquiry into the proposed lease of the port of Melbourne

Hastings — 28 October 2015

#### Members

Mr Gordon Rich-Phillips — Chair

Mr Damian Drum

Mr Daniel Mulino — Deputy Chair

Mr Craig Ondarchie

#### Staff

Secretary: Mr Keir Delaney

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#### Witness

Mr Sandy Galbraith, Director, Maritime Trade Intelligence Pty Ltd.

**The CHAIR** — I welcome Mr Sandy Galbraith. Thank you for making yourself available to the committee this morning. The committee does not require witnesses to be sworn but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false 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 further subject to the provisions of Legislative Council standing orders. Therefore the information you give at the hearing today is protected by law. However, 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 hearing, so I would invite you to make an opening statement if you wish and the committee will then proceed to questions. Thank you for your time this morning.

**Mr GALBRAITH** — Thank you very much indeed, and good morning. Thank you for giving me this opportunity to discuss with you today some concerns I have about the privatisation process as it currently exists for the port of Melbourne. As a bit of background, apart from being a resident of the Mornington Peninsula — I live in St Andrews Beach — I am a maritime industry analyst with 40 years experience in the international maritime and transport industry. I have been contracted to work on major projects with a number of governments, government agencies, ports, shipping and commodity companies, international banks, international institutions, as well as some of the world's leading business consultancies. I have worked on a number of major projects for prominent clients in all Australian states and territories, New Zealand, Asia and islands in the South Pacific. I am a former mariner and served as a deck officer on bulk carriers, supertankers, product tankers and general cargo, reefer and cruise ships in trades worldwide. I reached the rank of chief officer.

On coming ashore in 1980 I was commissioned to write and edit the first two print editions of the *Fairplay World Ports Directory*, a two-volume tome which is now in its 33rd edition and available electronically at all good bookshops, I suppose. During my career I have been based in London and Melbourne, and I edited the Australian edition of the oldest daily newspaper in the world, *Lloyd's List*, for a while.

Last year, ahead of the port of Melbourne privatisation, I was commissioned by a Victorian government agency on behalf of the Department of Transport to undertake an in-depth review of the port privatisation process that had already occurred in Australia, to establish where things had worked and where things had not worked so as to assist the state government in achieving an optimal operational outcome. Over some months I visited Brisbane, Newcastle, Sydney, Port Kembla and Adelaide and met with more than 50 stakeholders in these ports to gauge their responses to the privatisations. These stakeholders included responsible government departments and agencies, port companies, harbourmasters, pilots, marine safety agencies, stevedores, Shipping Australia, Ports Australia, bulk and general shipper interests. The general areas covered in the review centred on what has worked and what has not, strengths of the new system, weaknesses of the new system and what changes would you make. More focused questioning investigated marine safety issues, channel management, vessel traffic management, emergency response, interaction between responsible bodies, port system governance, legacy issues and the effectiveness of the port landside interface.

As an addendum to the study the department requested that we seek and identify an international model for comparative purposes. In this instance it was decided that the shipping channel arrangements in the five East Anglian haven ports in England, situated around the rivers Orwell and Stour and encompassing the ports of Felixstowe, Ipswich and Harwich, as well as a couple of smaller coastal ports, bore appropriate parallels to those that exist in Port Phillip Bay and Western Port for the ports of Geelong, Hastings and Melbourne.

During the stakeholder consultation segment of this study it became quite clear that certain patterns, positive and negative, had emerged in respect to port privatisation on the eastern seaboard. Obviously the states of Queensland, New South Wales and South Australia each operate entirely different port privatisation models. In all states there were strong views in favour of the retention of safety and navigational matters in government hands. Commercial buyers seemed to prefer to have the regulatory side outside of their business activities, allowing them to focus on land management. A majority of the interviewees commented that it was important not to change too quickly after privatisation, thus retaining the layer of middle management that deals directly on a day-to-day basis with port customers.

With pension funds playing a prominent role in the shareholding of the new private port companies, there was a view that this leads to better long-term planning than state-owned ports, which can be subject to short-term political influences. In addition, private entities have access to funds from outside for essential infrastructure which governments may otherwise find difficult to finance. Several of those questioned said governments needed to understand how a private port conducts its strategic planning to ensure the port does not just land bank, as you said earlier on, and that they actually put money into expanding the business. Whilst recognising it might on occasion make more sense to hold off investment or sweat the assets, there needs to be some sort of mechanism to be able to understand why the port has reached certain investment or planning decisions and some sort of step-in powers if the port users' reasonable expectations are not being met.

Naturally stakeholders seek certainty in port planning. They identified that there is a need to separate the business, legacy and community service obligation issues, identify them and have a strategy for who is going to manage them and how.

Stevadores complained that in order to gain access, the new third terminal operators — this is an argument that has come across in earlier presentations to this committee, so I will not repeat those points about that. But if there was one subject that dominated discussions with stakeholders it was that pricing oversight was strongly recommended by port customers. The so-called light-touch approach by Queensland and New South Wales was criticised as creating the illusion of vigilance, effectively providing no oversight at all, and in South Australia there were concerns that its oversight, while existing, was not particularly rigorous. It has to be recognised that the indications are that the Victorian government is seeking to adopt a more careful approach to price monitoring in the port of Melbourne. It appears that the Essential Services Commission will end up with more responsibilities in this area, and that is to be welcomed.

The state governments have tended to eschew the involvement of the federal agency, the ACCC, but I suspect that in the future there will be pressure to bring in oversight from a federal body. In the majority of the ports that have been privatised to date the ownership structure has changed. Typically the purchasers of ports have been consortiums, largely made up of pension and infrastructure investment funds. Currently there is common ownership between the shareholders of New South Wales ports and the port of Brisbane. There are indications that some of these shareholders may well be bidding for the port of Melbourne. On the one hand there is some concern among port stakeholders about where this may lead in the future, and on the other, port holders say that this trend could promote more structured national planning.

None of us know who will be owning the port of Melbourne in 30 or 40 years time, but it is quite conceivable that there will be entities with ownership interests in all the major container ship ports. Where does that leave us as a nation when private interests are in control of our vital trade links with the outside world? Does it open up the opportunity for these private interests to perhaps favour one port over another? When channel deepening can cost \$1 billion in today's prices, would there be a case to argue that it would be economically sensible to focus investment in one or perhaps two of our container ports instead of the current five? Where would that leave Melbourne?

For instance, port privatisation weakens — perhaps even negates — the opportunity to take these national decisions, as vested interests would hold sway on our ports policy, something that we as a nation should be concerned about. One way or another, I think federal monitoring will be required down the track to ensure that the states' and the national interest is protected in respect of the development of our ports. I would echo concerns raised by my esteemed colleague Dick Cox, Victoria University and others about the threshold throughput condition in the sale document for the commencement of work on a new second container terminal in Victoria. As was pointed out this morning by Dick, there are internationally recognised standards of throughput expectations based on quay length, and they go nowhere near the 7 million-plus TEU number raised in the sale document.

In essence this would put a huge financial burden on a future state government and ensure a major return for any investment a private entity makes in Melbourne. In order to get anywhere near the documented number — there are two ways of looking at this. One is they would have to release quay space currently occupied by, let us say, the Bass Strait trade in Webb Dock. Where would that go? That is quite substantial trade. Geelong of course is a possibility, but a better option would be Hastings, which in terms of sea miles is nearer to Tasmania and would reduce costs. But then you have a chicken-and-egg situation. You open Hastings to container and ro-

ro (roll on/roll off) trade and, Bob's your uncle, the privatised port of Melbourne says, 'Let's have some of our compensation now please'.

The other part of that argument is: how do we get to 7 million TEU? You have got to get bigger ships, and we do not have the space or the capacity to take bigger ships in Melbourne. There is a massive pressure at an international shipping level to bring in larger ships onto the Australian coast. I have read many of the testimonies that you have had placed before you, and there is a lot of documented evidence to describe the east-west trade and the north-south cascading and how that happens.

I am not going to go through all that again for you, but what I will say is that a close parallel would be the South American trade. That is largely in terms of how the shipping fleets have deployed themselves, and what has happened in the South American trade very recently is we have seen 10 500 TEU ships starting to operate into South America. I am not saying that is going to happen here tomorrow, but what I do know is that they want 8500 TEU ships on our coasts today if possible. They will not get them, but two years down the track there is going to be so much pressure for that to happen. What do we do? What do we do in Melbourne? You were talking about channel deepening in Melbourne. Do you remember what happened last time? Let me give you a bit of history here. The shipping industry in the mid-1990s went to the port of Melbourne and to the state government — it was the Kennett government at the time — and said, 'Look, guys, we're in a bit of a bind now. We want to put bigger ships into the port of Melbourne, but we can't get them through the Heads and you're going to have to channel deepen. This is 1995, 1996; okay? When did it actually happen? When did we actually see the channel deepening completed? It was at the turn of this decade. In other words, 15 years went by from go to whoa, if you like — when they were alerted to a problem and they actually got the job done. Fifteen years: if you want to translate that and transpose it to what we are talking about now, about a new port, heavens above! You know?

**Mr ONDARCHIE** — It has got to get going now.

**The CHAIR** — Yes.

**Mr GALBRAITH** — Really you have got to think in those terms. This is the situation we are facing. It is an absolute folly to throw in this compensation clause, because it is going to be triggered so bloody quickly it is not funny. This is a reality. Am I talking too much?

**Mr ONDARCHIE** — No.

**Mr DRUM** — No, no.

**Mr GALBRAITH** — There is the debate about Hastings and Bay West. Okay. I can let you know that five, six years ago I was involved in a project and we were looking at Bay West — it was not called Bay West in those days, we were talking about Point Wilson — and the plan was not to make a container terminal there, the plan was to move the port of Geelong out to Point Wilson. There is an elegant simplicity about that. They are halfway there in Geelong. It is a very pretty city now. The waterfront at Geelong is — what do they call it? — cappuccino-ised.

**Mr ONDARCHIE** — Chardonnayed.

**Mr GALBRAITH** — It is becoming very pretty, and you can see the huge potential to move that out all the way around to Corio. I will not say to the oil refinery, but reasonably close.

**Mr DRUM** — That is where all the lights are.

**Mr GALBRAITH** — Yes, that is right. You look at that and you say, 'Why do they want to have a port in Geelong when there is that massive potential for development of the land and to make it into a really spectacular city?'. So, what do you do? You move it to another place, and Point Wilson is an absolutely ideal location for it to happen. You have got a beautiful long stretch of coastline just as you come into Corio Bay — I will use a shipping term — on the starboard side, on your right-hand side as you come in, and it is quite straight. It is also very close to the shipping channel, so you are not talking about a lot of dredging to actually get into a very accessible berth key frontage there.

You have got that, so what is the next stage? What do you do with containers? You move the containers to Hastings. This is the logical place to put them. It is the closest access to the sea. It is marginally closer to our key markets in North Asia or Asia, but as Dick has pointed out, it is a deepwater port. Yes, there will be some dredging, but it will be nothing near the dredging that will be required were you to go to Bay West as is being proposed currently. I saw in *The Age* the other week the picture of a long pier with a berth face out, was it 8 kilometres out to sea? I have forgotten, but it was something ridiculous. Anyway, it is just not going to happen.

In essence, they are my points. I am happy to answer any questions on the back of that.

**The CHAIR** — Thank you, Mr Galbraith, for your introductory remarks and background. It is actually very useful for the committee to understand your background and experiences. There are a couple of things I would like to ask you about arising from your opening comments. You raised the issue of what is effectively horizontal integration if the equity interests in Brisbane, Sydney and potentially Adelaide also own, or own a share or an interest in, Melbourne. Do you have a view as to whether that should be precluded under the lease arrangements?

**Mr GALBRAITH** — That is a good question. It is probably too late, is it not?

**The CHAIR** — It is not.

**Mr GALBRAITH** — Is it not?

**The CHAIR** — It is not insofar as this remains a proposal and on the terms and conditions of the proposal this committee will make recommendations to the Parliament and the Parliament will decide what it does with the legislation that is before it. If it were the mind of this committee and the Parliament, it could say, 'If you own a share in Brisbane, you cannot own a share in Melbourne' — or Sydney or whatever — so it is a live question for the committee.

**Mr GALBRAITH** — Yes, it is a good question and a difficult one to answer.

**The CHAIR** — It is something that was done with the major privatised airports — for example, if you owned Sydney Airport, you could not own Melbourne Airport. Should we be looking at a similar thing with the port?

**Mr GALBRAITH** — I know the stevedores were excluded as well, in this case.

**The CHAIR** — Stevedores cannot buy the port, but there is nothing to prevent in future the port operator becoming a stevedore.

**Mr MULINO** — Apart from the ACCC.

**Mr GALBRAITH** — Sorry, I missed that.

**Mr MULINO** — The ACCC is regulating it.

**The CHAIR** — We will come to the ACCC. I would be keen if you have a firm view as to whether that is something we should actively consider?

**Mr GALBRAITH** — In all honesty, I think it is probably not something that need be done if there is an ACCC involvement in the oversight.

**The CHAIR** — You did mention the potential role of the ACCC. Something the legislation does is constrain the functions of the ACCC. It excludes ACCC oversight, the operation of certain aspects of the commonwealth competition act. Is that something you would support or is that something where you believe the full ACCC suite of powers should be retained?

**Mr GALBRAITH** — I think in principle one should always have the maximum oversight in a privatised situation.

**The CHAIR** — In that regard, one of the issues that has been raised with the committee is regulation of port rents. Currently it is proposed that the Essential Services Commission, which is the Victorian body, will regulate around 86 per cent of port revenue, which leaves an existing 14 per cent, plus whatever new revenue lines are created, not subject to that control. You put a cap on this and potentially the rest increases. You spoke about oversight: do you have a view as to whether the full suite of revenue and potential revenue should be subject to price control?

**Mr GALBRAITH** — Yes, I think it should. It goes back to my previous answer: the more oversight the better in a privatised situation.

**The CHAIR** — And maybe the distinction between oversight which can be a retrospective ‘Yes, we have looked back and we’ve seen what you did over the last five years and we don’t agree with the price increases’ as opposed to a mechanism that actually requires price increases to be signed off. You have to come forward with ‘We intend to increase prices by 5 per cent’ or ‘10 per cent, and this is why’ and get it actually ticked off prospectively rather than looking back retrospectively. You would support — —

**Mr GALBRAITH** — Yes, I would support that.

**Mr MULINO** — I just wanted to start with a very broad question. Both parties went to the last election with a policy of a lease of the port. That sounds like something you are broadly comfortable with, subject to the right controls?

**Mr GALBRAITH** — I am, yes, when all is said and done. Behind that, I suppose I have that traditional reservation. Port privatisation was created under the Thatcher government in the 1980s in the UK. There is a fundamental difference between the UK’s port scenario and the Australian port scenario. There is a port round every headland in the UK, whereas here we have kind of strategic and economically important roles for our ports, and competition is not necessarily a guiding issue. In Melbourne, for example, there is very limited competition with, say, Sydney for the Riverina. There has been a little bit of a traditional fight with Adelaide for some of the western Victorian and southern South Australian cargoes. But generally speaking we do not have a competitive environment for our ports, so in essence I am not too concerned really.

**Mr MULINO** — Then on the upside you alluded to the fact that some might say that long-term investors can potentially take more strategic decisions.

**Mr GALBRAITH** — Absolutely.

**Mr MULINO** — Again subject to the right incentives.

**Mr GALBRAITH** — Absolutely. That is one of the real upsides of this: they are going to take a long-term view. We have just seen the illustration here in Victoria of a 180 degree turn on ports policy between two governments. We have seen Hastings suddenly sent off, sent out the door. The Port of Hastings Development Authority disappeared overnight, 80 jobs or whatever it was — ridiculous.

**Mr MULINO** — But on that issue, are you comfortable with Infrastructure Victoria having a really detailed look at where the second port should be, given all the complexities and the fact that we have even seen today so many different views on it?

**Mr GALBRAITH** — With hindsight I would rather that the Port of Hastings Development Authority had carried on with its \$180 million budget and just got on with the job and at least got us to a position where we knew what was required. Instead we have had the whole thing stuck on its head. We are going nowhere — at least we are in limbo for a while. All those push factors that were discussed earlier on are still happening. There is still going to be that pressure for bigger ships to come in.

There is going to be a pressure for hubbing. I was speaking at a conference in Sydney two weeks ago, and one of the other speakers was a senior executive of Maersk Line, and he was saying, ‘We are hubbing all over Asia; of course we’re going to hub in Australia eventually’. That is the way of the future. What does hubbing mean? It means one port or two ports on the Australia coast get used, and we have transshipment to the other ports. We will be one of the transshipment ports. We may have lost the opportunity. We had a window of opportunity to get Hastings done and ready for the big ships. It has all gone now. That window of opportunity is fast disappearing.

I have competing thoughts about what can happen here. One is we will end up with hub ports — let us say, Brisbane or Sydney or Brisbane and Sydney — and then we will have a coastal shipping service moving down, with smaller ships or at least ships of the maximum size that Melbourne can take today. They will be coastal ships, but we will be paying a penalty for that. You have double handling. The cargo comes off at Brisbane, it goes on another ship and then it is taken down to Melbourne. That is double handling; you get double the cost. It is not cheap when you are wanting to move freight around.

**Mr MULINO** — Just a couple of quick questions on the regulatory environment. You have talked about the importance of that. What is being proposed is that the ESC will have powers in relation to prescribed services, so 80 per cent will be prescribed, there will be a 15-year CPI cap. Then in relation to the non-prescribed, they will be tasked with a periodic review of market power.

**Mr GALBRAITH** — Right.

**Mr MULINO** — Is it your view that that will be a stronger and more effective regulatory regime than what we see in New South Wales, in Queensland?

**Mr GALBRAITH** — Definitely. With New South Wales and certainly the Queensland model, the Queensland model is almost totally hands off, New South Wales is slightly more rigorous, but less so than South Australia, and then South Australia is less so than what we are looking at here under the new ESC model as proposed by the government now.

**Mr MULINO** — And that should be an advantage for consumers in this state and the exporters alike.

**Mr GALBRAITH** — I think if you look at the comments that have been in the media about that and general talking amongst the industry, the view is that it is a positive move and it is welcomed.

**Mr MULINO** — And a last question. You have raised horizontal integration as an interesting policy conundrum that we have not really focused on. As you say, it is a complicated issue because the argument is both ways on that. The ACCC will retain regulatory control over that. The other potential issue which we have talked about with a number of witnesses is vertical integration, so stevedores will be banned from bidding, but post-lease there is this issue of whether the lessee wants to operate as stevedores.

**Mr GALBRAITH** — We have seen that in South Australia. Flinders Ports do it. They operate the Adelaide container terminal.

**Mr MULINO** — Under the proposed arrangements the ACCC would retain full regulatory capacity to oversee and regulate that issue, and that is something I understand you support.

**Mr GALBRAITH** — Yes, definitely.

**Mr ONDARCHIE** — Thank you, Mr Galbraith. You have been very, very enlightening — I have learnt a lot this morning —

**Mr GALBRAITH** — Thank you.

**Mr ONDARCHIE** — as I did from your predecessor, Captain Cox. The issue around capacity at the port of Melbourne is something I am certain my colleague Mr Drum will ask you about in his questioning. But there is one harsh reality: at some point in the near future, given you have talked about how long it takes to plan these things, we have to commit to a second port somewhere in Victoria.

**Mr GALBRAITH** — Absolutely.

**Mr ONDARCHIE** — The Port of Hasting Development Authority were running pretty hard. They were pretty energetic. It looked like they were going to get some things done. You talked about the port of Hastings, and — I might misquote you — I think you said, ‘The opportunity is vastly disappearing’.

**Mr GALBRAITH** — Let us say rapidly disappearing.

**Mr ONDARCHIE** — Or rapidly disappearing.

**Mr MULINO** — He uses better English.

**Mr GALBRAITH** — Thank you.

**Mr ONDARCHIE** — Given there was so much momentum, there was so much opportunity — jobs is a big issue on this peninsula and beyond — do you think the people of Hastings and beyond feel a bit abandoned by the government?

**Mr GALBRAITH** — I am not going to get involved in political comments like that. I do not know how the people of Hasting feel, to be honest.

**Mr ONDARCHIE** — Let me ask you something from your wide international experience then. The port of Hastings is going to realise a sum — whatever that is — but the government has allocated, notionally, only about 3 per cent of that total sum of money to everything outside of Melbourne. So 97 per cent of the revenue will be spent in inner metropolitan Melbourne or metropolitan Melbourne. For a man who has so much global experience, how do you feel about that sort of rationale?

**Mr GALBRAITH** — I could be quite parochial about this. I live on the peninsula. I feel it is grossly unfair — of course it is. There should be a better balance between state and the city.

**Mr ONDARCHIE** — Would you like to see a firmer commitment to how much money regional Victoria could have prior to this lease going through?

**Mr GALBRAITH** — I think that would be a fair thing to do.

**Mr DRUM** — Thanks, Mr Galbraith. I took notice of your first few words, where you said we should be looking for optimal operational outcomes. It sort of struck a chord with the VFF. When the Victorian Farmers Federation gave their evidence they suggested what we really need is an innovative, nimble set of operations; we should be competitive; we should be using this once-in-a-lifetime opportunity to put in place the best operational outcomes and the best regime of moving containers; and then at the end of the day, whatever money we make, fantastic. But it seems in their opinion it was as if this whole legislation, this whole deal, has been framed around maximising the return, getting the most money they possibly can and then having to throw all these other safeguards and a regulatory regime in after the event to try to make sure we do not have the whole thing costing Victorians a truckload more for the use of the port. Do you sort of agree with that, that the government has probably just gone in the wrong direction initially, with its priority trying to maximise return versus trying to optimise the operational outcomes?

**Mr GALBRAITH** — There is a possibility that it is going that way. I think we are wanting to stand outside this whole process and sort of look at it from over, let us say, a 30, 40 or 50-year period. If we are seeking an optimal outcome, then I think, as Dick mentioned in the previous presentation, that it would probably have been better to have the two ports, or at least to have offered Melbourne plus the second container port.

**Mr DRUM** — In the same deal?

**Mr GALBRAITH** — In the same deal, yes.

**Mr DRUM** — Similar to Sydney and Port Kembla?

**Mr GALBRAITH** — Absolutely. Sydney, Port Kembla is a model to look at I think.

**Mr DRUM** — Do you agree with Captain Cox's summation of where port capacity is at with the port of Melbourne?

**Mr GALBRAITH** — As far as the port capacity is concerned, I have been very concerned about the 7 million-plus figure. I just do not see it happening without moving around the port, as I mentioned, and Webb Dock, perhaps getting rid of the Bass Strait trade and having the container stack raised by one. But then again, to do that you have to reinforce the actual ground. There are all sorts of additional costs to a thing like that. The short answer is I fall in somewhere between Dick's 4.5 million and the VU's 5.5 million, let us say, as being a more realistic number.



**Mr DRUM** — Therefore the time line for a new port is going to be somewhere between 11 years and 14 years?

**Mr GALBRAITH** — Correct.

**Mr DRUM** — So it is going to be around 12.

**Mr GALBRAITH** — Then, Mr Drum, we go back to my earlier comment about the channel deepening. That was a 15-year period that it took from go to whoa. Where are we today? We should be at go.

**Mr DRUM** — This deal is going to lock port of Melbourne in place in that current location for 50 to 70 years.

**Mr GALBRAITH** — Yes.

**Mr DRUM** — Are you comfortable with that?

**Mr GALBRAITH** — No. As we have seen in Sydney, in Sydney they moved the port pretty much out to Port Botany, left the cruise ships and a few other, smaller things, but largely that is what happened. I think within a much, much shorter time frame we will see the movement out to a second port. You talk to the stevedores and they will all say, 'We'll move as soon as we get the news'.

**Mr DRUM** — Get the new port.

**Mr GALBRAITH** — 'We'll go there'. Yes.

**Mr DRUM** — We are all in agreement that there is going to be another port needed.

**Mr GALBRAITH** — Yes.

**Mr DRUM** — But you think, as most evidence around the world suggests, that when that second port is built for any city it tends to take over?

**Mr GALBRAITH** — Totally. There are some classic examples. You have got Marseilles down in south of France. Now, they took a very brave decision way back to move the bulk of the port out of Marseilles to a little fishing village called Fos-sur-Mer. It is now called Fos. That absolutely transformed the economy of that region. It was a similar distance to Hastings to Melbourne. It was a major move.

**Mr DRUM** — When they tend to build the new port, they do not tend to have both of them operating?

**Mr GALBRAITH** — There is a bit of overflow. There is not a cut-off point where Melbourne closes today and Hastings opens tomorrow sort of thing, no.

**Mr DRUM** — Again, can you just reinforce some of the reasons why you think as a container port Bay West may not work?

**Mr GALBRAITH** — It goes back to the ship size.

**Mr DRUM** — If we are going to go to Bay West, we are going to have to maybe triple the amount of ships, because we are going to have to keep them at this relatively medium to small size?

**Mr GALBRAITH** — Yes. It is not going to happen, though. It is just an unrealistic proposition. Bay West has got to be a bulk shipping port if it is to be the future.

**Mr DRUM** — I do not know who they are, but there must be a whole heap of experts who are suggesting that Bay West can work.

**Mr GALBRAITH** — Absolutely, and who is financing them?

**Mr DRUM** — I have got no idea.

**Mr GALBRAITH** — Ask yourself the question. It is the large logistics firms. It is the guys who are all based out in the west. I am not going to name them. I am not going to libel myself. But we all know who they are.

**The CHAIR** — You are protected here as a witness.

**Mr GALBRAITH** — They will be waiting with shotguns out there, though.

**Mr DRUM** — Just whatever you say in here do not repeat outside.

**Mr GALBRAITH** — Correct.

**Mr DRUM** — Again, you are clearly suggesting that in an open and up-front sheer container movement world, Bay West does not work.

**Mr GALBRAITH** — In a modern-day perspective, it is not going to work, no. You look at what happened in the UK with Felixstowe and London. London was once the biggest port in the UK. Within the space of 10, 15 years, it disappeared to next to nothing, and Felixstowe, which is a small ferry port on the east coast of England, became the biggest container port in the UK. Things change. What we have all got to remember about the shipping industry is it is a dynamic industry. It is a massively dynamic industry. The guys who control it, they are not in Melbourne, they are not in Sydney, they are not in Brisbane. They are in Marseilles; they are in Geneva.

**Mr DRUM** — Greece, Athens.

**Mr GALBRAITH** — In Athens, Copenhagen. These guys, these are the kings. These are the guys who play the chessboard, and they move the pieces. We are just one of those pieces. You have got to get it all into perspective.

**Mr DRUM** — If, then, something like Hastings is the answer for a second container port, what about the corridors that are going to need to be overlaid? This is an enormous amount of work for rail, for roads and for the entire logistic movement that has to accompany a port.

**Mr GALBRAITH** — Absolutely; I know. There is a lot there. But I think there has been a lot said; we have had stories. I wrote it down somewhere about the volumes that were being mentioned. I have forgotten. It was around about 7 or 8 million TEU moving across the city on trains and trucks or whatever. That is for 2050; it is not for tomorrow, you know. I think there has been an awful lot of exaggeration about what is happening. As was mentioned this morning, there's stuff that goes to the west that is actually going to the east.

**Mr DRUM** — Yes, it goes west and then comes back across the — —

**Mr GALBRAITH** — I think we have to get some perspective there.

**Mr DRUM** — Thanks very much for your evidence.

**Mr GALBRAITH** — A pleasure.

**The CHAIR** — Mr Galbraith, thank you very much for your attendance this afternoon. The committee very much appreciates your evidence and having the benefit of your experience in this matter. We will have the transcript to you in the next couple of days for any corrections.

**Mr GALBRAITH** — That is great. Thank you.

**The CHAIR** — We appreciate your attendance. Thank you very much.

**Witness withdrew.**