

CORRECTED VERSION

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 9 September 2015

Members

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Mr Daniel Mulino — Deputy Chair

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Ms Gayle Tierney

Staff

Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

Witnesses

Mr Sam Tarascio, managing director, and

Mr Tristan Anderson, business development manager, Salta Properties.

The CHAIR — I declare open the Legislative Council select committee on the port of Melbourne 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 to silent. I welcome Mr Sam Tarascio, the managing director of Salta Properties, and Mr Tristan Anderson, the business development manager from Salta. Thank you for making yourselves available.

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 Legislative Council standing orders. Therefore any information you provide today is protected by law. However, any comments made outside the precinct of the hearing may not be so protected. All evidence is being recorded by Hansard, and you will be given a proof version of the transcript in the next couple of days for any corrections.

The committee has allowed 45 minutes for this session. I would invite you to make a brief opening statement, and then the committee will proceed to questions.

Mr TARASCIO — Thank you very much for inviting us to present to the committee. My name is Sam Tarascio. I am the managing director of Salta Properties, and with me is Tristan Anderson, who is the business development manager with Salta and formerly intermodal manager at the Port of Melbourne.

Visual presentation.

Mr TARASCIO — Firstly, just to address why Salta is here. We have been working with successive Victorian state governments for over 12 years now to put in place the building blocks for the implementation of a state-of-the-art, rail-based container logistics and inland port network called the metropolitan intermodal system. There is widespread support for this project, and shown up on the screen are the names of some of the organisations who have supported us. It is a mixture of shipping companies, industry organisations and community groups, so there is quite a lot of support for what we are proposing.

You will also see on the slide that recently there has been quite a lot of coverage in the media — you will not be able to read it, but it is in your packs — the *Age* outlining the risk of Melbourne losing the no. 1 port status to Sydney. The *Sydney Morning Herald* likewise has outlined that the port of Sydney has been far more proactive in ensuring that the growth of Sydney will outstrip Melbourne — something that as a loyal Melburnian we would like to avoid obviously.

At the moment Sydney is winning the battle. That could not only cost Melbourne the status of being the largest container port in Australia but could also result in relative job losses to Sydney and loss of economic activity to Sydney. The good news is that Melbourne can quickly and cheaply rectify this situation with shovel-ready projects. I am here today to inform the committee how Victoria can protect economic activity within this state. I am here today to inform the committee how Victoria can also protect and grow jobs for Victorians, and I am here to help the committee understand how we can quickly and cheaply maintain our status as the no. 1 port in Australia.

We have provided a written submission in draft in advance of this presentation. That specifically outlines our responses to the terms of reference for this committee. Today I want to focus specifically on the port capacity and rail issue and what can be done to rectify it and take the fight to our friends up north.

Quickly to outline the problem, there are two main issues in our view. They are both related. The first issue is that everything in Melbourne is handled by truck and road. Eighty-seven per cent of imports and 52 per cent of exports have a metropolitan destination or origin respectively. Because there is no adequate rail connectivity to the port, all of these volumes are handled by truck. That means currently there are 5500 trucks that visit the port each day, and if unabated, and with the projected growth, this could rise to over 30 000 trucks per day within the initial term of the proposed lease. Increases in road-based activity are undesirable for safety, environmental, congestion and financial reasons.

The second issue, which is also on the same topic, is that reliance on roads limits the growth of the port. The existing road-based pool system, where trucks go into the port and call for containers, as opposed to a system where containers are pushed out of the port precinct as they arrive, is limiting the capacity of the port from a

landside point of view. The existing road-based system limits the capacity of Swanson Dock to 2.9 million TEU. That is not to be confused with berth capacity, but if you have a higher berth capacity, you need the landside capacity to match the berth capacity. At the moment we feel that the landside capacity lags the berth capacity of the port, so it is important to rectify that situation.

Capacity constraints will lead to port volumes migrating interstate, costing Victoria income, jobs and relevance. A recent example of that is Victoria losing out to Sydney where Visy, previously our largest exporter, moved its paper exports coming out of the Tumut mill from the port of Melbourne to the port of Botany where its volumes can be transferred directly by rail to ship. They are potentially the first of a few that might do the same thing if we do not act.

What is the industry suggesting? What is Salta suggesting? Obviously the metropolitan intermodal system, which is what I am here today to try to outline to you. The MIS is a network of inland ports linked by rail and high-performance freight vehicle to the metropolitan intermodal rail terminal located at the port. The metropolitan intermodal rail terminal is an on-port rail terminal directly connected to the stevedores' container terminals and dedicated solely to servicing metropolitan containerised freight. The inland ports, which are also part of the MIS, are located at this stage in Altona, Dandenong South and Somerton. These are central to Melbourne's key import-export hubs and in accordance with previous government-accepted geographic locations.

Our written submission provides a hyperlink to an animated video which gives a clear visual representation of the MIS. I strongly recommend that the members of the committee watch that video. If we do have time and you would like to, we do have the video here available for viewing after my presentation.

What does the MIS do for Victoria? Salta commissioned a report by GHD and Hamburg Port consultancy which researched the benefits to the state of Victoria of the MIS network. They concluded that the MIS will deliver a landside capacity increase to the port of 1.4 million TEU per annum. I should note that that exceeds the increase of capacity expected out of Webb Dock, which we understand to be a 1.2-million TEU increase per annum for a \$1.5 billion cost. To put it in context, what we are proposing is a 1.4-million TEU landside increase for \$58 million of cost.

That capacity increase protects and increases opportunities for Victorians, maintains our economic activity and importantly protects our status as the no. 1 port in Australia. The capacity increase also has the potential to increase the price the government receives from the sale of the port by, in GHD's estimate, \$545 million. At current port volumes stage 1 of the MIS will reduce truck trips to the port by 3500 trips per day — that is from the current total of 5500 trips per day. The reduction in truck trips will also reduce congestion around the port and on our major arterials, reduce CO₂ emissions by 23 000 tonnes per annum, and have other positive externalities such as reduced road maintenance and reduced road trauma and congestion, which GHD has estimated to have a value worth \$975 million to government over the 50-year term of the lease.

The MIS will also reduce port-related supply chain costs to importers and exporters by 20 per cent, making us more competitive. It should also result in the direct creation of 3700 full-time equivalent jobs and indirect employment of 9000 — that is on construction and operation of the MIS network, and that information is from Essential Economics.

In terms of what needs to happen to make the MIS succeed, government has actually done the hard work. Previous governments of both sides have done the hard work and at a cost of \$350 million completed the Footscray Road grade separation, and the idea of that was to provide unobstructed train access into the port. Unfortunately there has been no increase in trains into the port because there is nowhere to send the trains once they come into the port. Nevertheless, a significant amount of infrastructure is in place. There has also been \$34 million spent at the Altona terminal for the connection to the main line. It is a significant amount of money already spent.

The outstanding works that need to be completed are the construction of the metropolitan intermodal rail terminal at the port, the last connections to the inland ports at Dandenong South and Somerton — bearing in mind that the rail is already adjacent to those sites, so it is just a small amount of work to connect the sites — and also completion of the already approved closure of Coode Road, which will allow direct connection of the metropolitan intermodal rail terminal to the wharf.

In terms of how long it would take to get all of this done, Melbourne can have a world-class container freight system in place within 12 to 24 months, depending on the speed of government action. The reason: the land for the metropolitan intermodal rail terminal is within government ownership and is already serviced by rail — it simply needs upgrading. The land for the inland ports is already in place. It has been appropriately rezoned for the use. The development has already commenced to allow the rail connections, and the owners of the inland ports have invested substantial capital and are ready to complete the investment to construct the inland terminals once rail connectivity is achieved. The sites also have foundational clients to utilise the rail services. Names such as Bunnings and Maersk are already located on the sites, and one of the other larger retailers in the country is already locating to the site. I cannot, due to confidentiality, mention the name at this stage. The inland ports are also shovel ready.

The state government has 58 million in its budget earmarked for the creation of an intermodal network, which according to various estimates is sufficient for the required government works. Therefore there is no cost to future state budgets as a result of the proposed MIS. Based on the potential price uplift that I have outlined earlier — and that is really just focusing on the price uplift and not the other economic benefits that might arise as a result of this — there is a return of about \$9.38 for every \$1 of the \$58 million spent to the government.

In wrapping up, Melbourne can have the most modern and efficient container logistics system in Australia within 12 to 24 months. The costs to future state government budgets for the work is zero because the 58 million has already been budgeted. The bulk of the cost to create the system will be spent by private enterprise. The inland ports are shovel ready, and they are very difficult to replicate, so if we lose the opportunity, it may be a long time before that opportunity might arise again. The MIS will protect Melbourne's position as Australia's no. 1 container port and stop possible further loss of business to Sydney and other ports. And the MIS will protect and grow Victorian jobs and economic activity, with around 12 700 permanent and construction-phase jobs generated as a result of the project, not to mention protection of existing jobs at risk of migrating interstate at the moment.

The 58 million to be spent by government is trivial in terms of the overall benefit in jobs, activity and Victoria's competitiveness and the price that the government stands to gain from the sale of the port. That is all I have for now. If you would like, we can show the video, or we can move directly to questions.

The CHAIR — Thank you, Mr Tarascio. I think given the time we might skip the video at this point, but if there is time at the end after questions, we can come back to it. The issue you have raised is an interesting one. It is not one that has been canvassed extensively in the hearings to date other than oblique references to the need for intermodal connections to the port. This is the first time the committee has received evidence with a direct proposal and outlining the importance of such a proposal. Given this committee's brief is to consider a proposed transaction to lease the port of Melbourne — legislation has been introduced and, you would be familiar, it is in the Parliament; the Victorian government is on the cusp of executing this transaction — what is Salta's view on how the MIS can be facilitated within the context of this pending and rapidly approaching lease transaction? What needs to be done to the transaction, to the legislation, to facilitate the development of the MIS that you have outlined?

Mr TARASCIO — As I outlined before, in terms of the physical works that need to be done, they are relatively minor in the scheme of the works that have already been done. There really are two options. The government could facilitate or carry out that work prior to the transaction occurring, but obviously we understand that that might cause an unwanted delay to the transaction proceeding. Our view is that the legislation should provide that the ultimate owner of the port lease should be required to deliver the infrastructure necessary to ensure that the metropolitan intermodal system actually can proceed.

The CHAIR — And it is your view that that provision needs to be explicit? The legislation currently provides that the port operator will need to provide planning documents, plans around infrastructure development over the course of the lease. It is silent on specific infrastructure. You would like to see an explicit reference?

Mr TARASCIO — Yes. We believe in particular that the metropolitan intermodal rail terminal at the port, which is on port land, should be specifically referenced and mandated that it should go ahead. It is very difficult to get appropriate land obviously in a confined space, and we feel that making sure that that is provided for up-front is going to provide far more certainty of that actually proceeding.

The CHAIR — You referred to the GHD work that you have commissioned, which suggested a \$545 million uplift in the value of the leased port. That assumes completion of the MIS works — the 18 months to 2 years' worth of work you outlined — prior to the lease being executed?

Mr TARASCIO — No. Obviously a buyer of the port will consider the potential upside that they might extract out of the operation of the port. The way in which the buyer of the port will get their best return is by maximising the efficiency of the port — that is, maximising the volume that the port can handle before it reaches a peak capacity. We are suggesting that if the MIS is at least mandated and that the buyers of the port know the steps that need to be taken in order to implement the MIS and that there will not be barriers to them implementing those steps, then they can more confidently factor in the benefits of the MIS in terms of looking at what price they pay to the government for the long-term lease.

The CHAIR — Thank you, Mr Tarascio.

Mr MULINO — Thank you for your submission today. I just want to clarify. This submission at the moment is labelled 'draft'. Is this going to be tweaked a bit before it is submitted?

Mr TARASCIO — Yes, that is correct. We still have a number of parties who are providing their letters of support for the paper, so we will submit that by 11 September with all of the relevant letters of support.

Mr MULINO — Just to clarify this document, this is the *Port Rail Shuttle Project Outline*, which is labelled as a document of the Department of Transport, Planning and Local Infrastructure. What is the status of that document?

Mr ANDERSON — It was a public presentation by DTPLI made in September last year. That really outlined the point that the project was at at that time, obviously with the clear intent to go ahead at that point.

Mr MULINO — And this was the government presentation made in response to information about the project that you had provided government to consider?

Mr TARASCIO — It was made, I think, in line with the previous government's stated intentions in their freight and logistics plan for the implementation of a port-rail shuttle network.

Mr MULINO — One thing I wanted to clarify. Have you formally submitted a proposal for assessment by government at any point?

Mr TARASCIO — Yes, we have. Under the previous government we put in an unsolicited proposal. That unsolicited proposal was unsuccessful because there was an EOI process that was to go forward for the implementation of the MIS. Obviously with the change in government and the approach to the sale of the port of Melbourne now, we have been informed that that EOI is something that the government wishes to sort of incorporate as part of the port sale process. Yes, we did submit a formal proposal. It was, if you like, put on hold pending the EOI, and the EOI now has not materialised.

Mr MULINO — Was there any evaluation of that proposal? Was there any feedback? I am wondering if it was held up just due to the change of government?

Mr TARASCIO — No, it was held up because the — —

Sorry. I am just trying to remember back to last year. We received a letter from the department of treasury to say that the proposal was not going to proceed past stage 2, predominantly because the government intended to issue an expression of interest and they did not want the two processes to cross over.

Mr ANDERSON — However, the merit of the project was certainly acknowledged in that letter, and the uniqueness.

Mr MULINO — Is that letter on the public record?

Mr TARASCIO — I assume so.

Mr MULINO — Would you be happy to provide it?

Mr ANDERSON — Yes.

Mr MULINO — Thanks. Just a couple of quick questions on the actual project. Are you familiar with the 2006 and 2009 Port of Melbourne studies in relation to port capacity?

Mr TARASCIO — Yes.

Mr MULINO — And are you broadly comfortable with their analysis in getting to the findings within those reports?

Mr TARASCIO — Yes. I cannot comment on the specifics, but yes.

Mr MULINO — Without going into the details of this project versus other projects, you are suggesting that there are options that could significantly enhance capacity —

Mr TARASCIO — Correct.

Mr MULINO — in terms of getting containers in and out, and the Port of Melbourne report looked at the port side capacity. Is it fair to say that you would be comfortable in saying that there are options for significantly increasing the capacity of the port?

Mr TARASCIO — Yes, that is right. As I said earlier, with the port there are really two components that make it possible to increase its volume. One is the capacity at the wharf — you lift containers on and off ships quickly — and then the ability to clear the containers out of the port precinct. We obviously are focusing on the second component of that. Introducing a second form of transfer of containers out of the port precinct by extension does provide a significant expansion to the capacity of the port.

Mr MULINO — Just one final question. Yesterday there was evidence given from the Victoria University freight and logistics centre that they thought there was a hard limit of 5.5 million, which I think it is fair to say the port and many other logistics experts do not agree with. Did they make contact with you and ask your opinion when they came up with that number?

Mr TARASCIO — No, I do not believe so. But the 5.5 million we believe refers more to the wharfside capacity as opposed to the landside capacity. As I said earlier, there is no point having 5.5 million of wharfside capacity if you cannot clear that many containers because your landside logistics network is not capable of doing so. We already know that Swanson Dock is reaching a point of near capacity from a landside point of view, and this solution provides a method to actually cater for the 5.5 million of total capacity that is being mooted at the wharf.

Mr MULINO — But others think it could go much higher than 5.5 million, and yours could help with that as well.

Mr TARASCIO — Yes.

Mr MULINO — I just wanted to clarify that you were not part of that deliberation.

Mr TARASCIO — No.

Mr BARBER — What would you say was the last meaningful conversation you had with the government about the proposed expression of interest process?

Mr ANDERSON — It was really, I guess, after we had been informed that the EOI was not going ahead and that this project was going to be considered along with the port transaction. We then had a follow-up meeting with the department head, Vicky Hudson, and some of her colleagues around the status of that project. It was really just confirming what was in the letter, and that was that it was to be considered along with the port sale.

Mr BARBER — So it is clear to you that this project — in fact the EOI — is on hold because of the port sale? Is that the information you have been given?

Mr TARASCIO — That is our belief, yes.

Mr BARBER — When you say there will be no cost for the government, does that mean that both the cost of the capital upgrades and the operating costs of this terminal, this MIS, will be covered by the operator, presumably you, and collected from the rail freight companies that bring the containers in? Is that how it is going to work?

Mr TARASCIO — What we are saying when we say there is no cost to government is our estimates suggest that the capital works that are required on government land can be fully covered by the \$58 million that has already been provided for. Any other capital works that are on private land will obviously be covered by the private owners of that land. Then, from an operational point of view, we believe that there should not be any difference in cost to service containers exiting the port precinct via train as compared to via truck. Therefore, from a customer point of view, it really comes down to the efficiency downstream of train versus truck and how the container and the freight ultimately gets to the customers — the distribution centre.

Mr BARBER — You are arguing no ongoing operating subsidy required for this?

Mr TARASCIO — No, not at this stage.

Mr BARBER — Just the last question. You said it could be up and running within 12 to 24 months. It takes PTV 12 months to even think about redoing a timetable, and then they get it wrong. What about the train paths and the access and any sort of train haulage companies that will be using this?

Mr TARASCIO — We have had many discussions with the various rail track authorities about the MIS. We know that the network as it sits at the moment can accommodate 28 round-trip access paths per day, which exceeds what Sydney is doing; I think they are doing 12 trips per day at the moment. That is how we calculate the 1.6 million TEU capacity of containers per annum on rail. That is utilising the existing train paths that are available.

Mr PURCELL — The issue with this is it sounds too good. The government have already thrown in a number of hundreds of millions and they have got another \$58 million in the budget. It will take a lot of traffic off the roads, add to the value of the port lease. How surprised were you when they said they were not go to do anything until after EOI?

Mr TARASCIO — Quite frankly, we do not understand what the barrier to this project is. Even the \$58 million, in context with the various things that are going on in the freight and logistics industry, and relative the other spending that is going on, is very small. Even hypothetically if this had no positive impact in terms of additional freight, I would have thought that at least providing a dual mode of transport from the port precinct was still an outcome that was desirable. But, as you have correctly pointed out, there is significant upside. We do not understand why this money cannot be spent to make the network active as soon as possible.

Mr PURCELL — I understand it could be done very quickly. All of the planning and the reserves are in place to do it, so there are no restrictions in regard to either of those aspects?

Mr TARASCIO — No. Obviously the MIRT is on government land; it is Port of Melbourne land, so the planning there is really in the hands of the Port of Melbourne. The rail connections are in place. The main issue on the rail connections in respect of Dandenong is the connection from the spur point into the site. Those sites have gone through 10 years of rezoning and structure planning, and all of that provides for the connection of the rail, so all of that is in place. That is why I made the point earlier that if this does not move forward and those sites are lost, it is very difficult to actually replicate another site that can have the right attributes within a short period of time.

Mr ONDARCHIE — I am just going to ask you a series of very short questions and seek your opinion on my final question. This can be ready in a couple of years?

Mr TARASCIO — Yes, we believe so.

Mr ONDARCHIE — It is your understanding that \$58 million has already been parked by the state government for this project?

Mr TARASCIO — We believe so, yes.

Mr ONDARCHIE — Most of the money spent on this would be spent by the private sector?

Mr TARASCIO — That is right, yes.

Mr ONDARCHIE — It is ready to go, it is good to go, it is shovel ready?

Mr TARASCIO — Yes.

Mr ONDARCHIE — It is going to create jobs for Victoria, which we desperately need?

Mr TARASCIO — We believe so, yes.

Mr ONDARCHIE — In your opinion, if this port of Melbourne sale proceeds, are you expecting them to start this the next day and get going?

Mr TARASCIO — If the question is, ‘If it proceeds without the government, if you like, making it a condition, will they still do it?’, I think the answer to that would be potentially yes, but in my view it is better for the state to get the benefit if there is any upside in price than for that benefit to be left on the table for the bidder.

Mr ONDARCHIE — That makes sense. Given this is a pretty fluid document — we have learnt over the last couple of days that it has more holes in it than a block of Swiss cheese — why are they not just getting going on this? What is holding it up?

Mr TARASCIO — We believe that the process could be decoupled from the port sale process, because it is a shovel-ready project. The main issue is, obviously, resolving access to the land at the port, but as I mentioned earlier, it is Port of Melbourne Corporation-owned land. There are obviously some lease delineation issues to resolve, but we believe that when you look at the overall benefit that the MIS delivers, those issues should be easily resolvable from a commercial point of view.

Mr ONDARCHIE — The construction industry is telling us that it needs projects — ‘Give us projects! We’ll get going!’.

Mr TARASCIO — That is right.

Mr ONDARCHIE — This seems like a project that could get going straightaway.

Mr TARASCIO — It is ready to go.

Mr ONDARCHIE — What is the hold-up?

Ms SHING — The last four years?

Mr ONDARCHIE — We are almost 12 months into this government, and we are yet to see them strike a blow on any project in this state that has not been started by somebody else. What is holding it up?

Mr MULINO — How about a whole bunch of level crossings.

Mr TARASCIO — Like I said earlier, we do not believe that there is any need for the project to be held up. There is rail already into the port. It is money that is available, and we believe it should proceed as quickly as possible.

Mr ONDARCHIE — Thanks.

Mr ANDERSON — If I could just add to that, we do think it is very important that all the wheels are set in motion before the port is sold. Once the port is sold, the government will just have less ability to make sure that this beneficial project happens.

Ms SHING — Thank you, gentlemen, for the presentation and also for the oral evidence you have given to the committee today. I would like to pick up, as I have on a number of occasions now, on a couple of things that Mr Ondarchie has referred to. You have said in your evidence that you have been in conversations with various

governments for, I think you said, 12 years. On that basis, I would like to ask whether you had made a submission to the port development plan in either of the processes that led to the 2006 or 2009 reports.

Mr TARASCIO — Yes, we have.

Ms SHING — And what were the time frames you estimated for being able to get this proposed shuttle project underway at that time?

Mr TARASCIO — I would have to go back to our submissions and check the information — —

Ms SHING — If you would not mind providing that information to the committee, that would be useful. I would like to get a better understanding of the extent to which you were able to progress the conversations you had and that were referred to in the document Mr Mulino referred to that was a public presentation of the then Department of Transport, Planning and Local Infrastructure in order to understand a little bit more about how ready it was in the period during which the former government proposed a 40-year lease for the port of Melbourne port operations.

Mr TARASCIO — Yes. The \$58 million that is currently in the budget is made up of \$38 million of federal money that has been available for quite some time, and — —

Ms SHING — What do you mean by ‘quite some time’?

Mr TARASCIO — I think since 2007. The money was linked to the state government putting \$20 million in to make a total of 58, and that was put in the budget in 2014.

Ms SHING — So prior to that, it had not appeared in the budget, or in any of the budgets — —

Mr TARASCIO — Not the \$20 million, but the \$38 million is leftover money from a larger fund that was used to fund the works at Altona originally.

Ms SHING — So the first time the \$20 million, just for my understanding, appeared in any budget was in 2014 —

Mr TARASCIO — Yes.

Ms SHING — despite the fact that you were already having conversations for what would have been 11 years prior to that about the development of this project?

Mr TARASCIO — That is correct, but the project, as you can imagine with a project of this scale and as I have just explained, the acquisition of land, the rezoning process and the structure-planning process is a very long-term process. When I say we have been in discussion with the government for 12 years, yes, we have, but there are a lot of steps involved in bringing something of this scale to reality, and we are really right at the very end of it now. We have the last bits and pieces that need to be put in place, but along the way there have been various things that have been put in place by both the previous Labor government, under Mr Pallas, when he was formerly the ports minister; under the previous Liberal government; and now obviously we are trying to finish the process off under the current government.

Ms SHING — So ‘shovel ready’, then, takes a process of planning, of potential rescope and then assessment as circumstances change. Is that what you are saying?

Mr TARASCIO — No, no. We are at a point where we now have approvals on the sites, we have structure plans in place on the sites, and we now have clients on the sites, all of whom are hoping and relying on the system progressing, and now we are really just trying to put in place the final parts of the jigsaw puzzle.

Mr ONDARCHIE — Good to go.

Mr TARASCIO — It is good to go.

Ms SHING — But that has been a process that has taken some time to get to is the evidence that I am hearing from you.

Mr TARASCIO — Absolutely, and as I said earlier, we do not want to miss the opportunity, because these things take a lot of time. We know that the port of Melbourne is reaching a point where it might hit capacity, and we do not want it to hit capacity without the ability of the port to deal with that capacity problem. If we do not implement a system, this one or something else that I do not yet know about, and we reach capacity, we risk losing volumes to other ports. As a Victorian, I think that would be a very big problem for our state.

Mr ONDARCHIE — And jobs.

Ms SHING — Onto the project itself, under the proposal and the documents you have provided to us, is it envisaged that Salta would be running the trains themselves?

Mr TARASCIO — No. Under the EOI process that was proposed, the network was to be put to an expression of interest for an operator to come in and run the network. That means that the metropolitan intermodal rail terminal, the actual terminals at the inland ports and the rail connection in between. We have always said that the inland terminals and the MIRT should be open access terminals — that is, anyone can bring a train in as long as the complying trains can run on the passenger networks and on the freight networks properly and within the proper windows. But that should be an open network.

Ms SHING — So the answer is no, in essence. It would not be proposed that Salta would be running the trains itself.

Mr TARASCIO — We would like to, but what we are saying is we do not have to. It can be a process that is put out to market to find the best operator.

Ms SHING — Your preference would be that you are able to operate the trains, but that would not preclude — —

Mr TARASCIO — When I say ‘operate the trains’, I mean we believe strongly that the network should be operated by a single operator because it is critical that you get the efficiencies of someone who is controlling the inland terminals and the metropolitan intermodal rail terminal, because the network relies on a fast transfer of these high-speed Sprinter trains within a period of time. You cannot have a situation, as exists currently with trucks that go into the port, where the operator of the port might not be ready to service the truck so the truck sits there all day. You need to be able to service the trains very efficiently. They need to go in; within 2 hours they need to be unloaded, reloaded and back out to the terminal. If you have separate operators, you risk that getting misaligned and then the network does not work.

Ms SHING — But you would ideally like to be the single operator?

Mr TARASCIO — We would put up our hand to do it but we would submit to a market process, yes.

Ms SHING — Finally, would you support regulation of rents for inland ports and intermodal facilities?

Mr TARASCIO — It is not something I have contemplated up until now, and I have heard the questions previously about rents at the port of Melbourne and I have quite a controversial view on that, which is that I do not believe the port of Melbourne should be charging rent at the port. At the end of the day the rents are a minor component of the overall revenue and the revenue is earned by making the port efficient, increasing the volumes and taking volumes from other ports and bringing them to Melbourne. If the rent was more of a volume-based charge, such as wharfage is and such as channel fees are, then I think the owner of the port lease would actually find it easier to mount a good business case and put together a more solid offer. They are therefore incentivised, as are the stevedores, to improve the volumes, to therefore improve their revenues, and if it is a volume charge they pay a higher rent and the state receives a higher rent — or the port lease owner receives a higher rent. I think a similar situation would apply to the inland ports.

Mr DRUM — What gauge is the rail line that goes to the port at the moment?

Mr TARASCIO — Obviously the port has dual-gauge rail. The north and the west are currently on the standard-gauge rail network, and the south-east, the Dandenong South, is on the broad-gauge rail network.

Mr DRUM — So you have a capacity in the upgrade to have it dual-gauge all the way?

Mr TARASCIO — No. I mean, ultimately, yes, it would be fantastic to have standard-gauge rail to all locations, but that is not the situation at the moment and all of the modelling has been done on the basis of two train sets — one on broad gauge and one on standard gauge.

Mr DRUM — Was the \$20 million that was put into the budget in 2014 left there by the current government in 2015?

Mr TARASCIO — Yes, it was.

Mr DRUM — How close does the rail line actually get to the quayside at the moment? In a practical sense, in metres, how close does it actually get?

Mr TARASCIO — There is already rail into the Somerton terminal. It just needs there to be an additional turnout to make it more convenient. The Altona terminal, the rail, in fact the \$34 million was previously spent — —

Mr DRUM — I am talking about at the port itself.

Mr TARASCIO — At the port?

Mr DRUM — Yes. How close?

Mr TARASCIO — There is already rail into the metropolitan intermodal rail terminal. There is a rail line that exists there — —

Mr DRUM — Yes. How close does it get to the quayside, where it could actually be unloaded straight to — —

Mr TARASCIO — It currently runs parallel to Footscray Road. One of the critical components of this, we believe — which has already been endorsed — is the closure of Coode Road so that straddle vehicles can travel directly from the wharf to the metropolitan intermodal rail terminal.

Mr ANDERSON — If I could just add to that, currently all the rail terminals at the port require a road move between the rail terminal and the container terminal at the moment.

Mr DRUM — At the moment?

Mr ANDERSON — That is right.

Mr DRUM — They have to cross Coode Road?

Mr ANDERSON — Cross a road, yes.

Mr DRUM — When talking about your capacity to be fully operational and have the ability to increase capacity to 1.4 TEU, effectively what you are talking about is enabling whatever capacity the wharf can provide — whatever quayside capacity enables the full capacity of the port to operate at — and what you are offering is 1.4 million efficiency in behind the scenes on the wharfside activity.

Mr TARASCIO — Whether the wharfside has a capacity — I know this has been a point of debate — whether it is 5.5 million or 8 million from a wharf point, whatever it may be, what we are saying is there is no point having that capacity unless you can clear that number of containers from the port.

Mr DRUM — Exactly, yes. So yesterday we heard from the university effectively saying that the quayside capacity of the port of Melbourne sits somewhere around 5.3, 5.5.

Mr TARASCIO — That is right.

Mr DRUM — So effectively you are not going to add to that, as Mr Mulino was trying to get you to say, but what you are doing is you are going to be able to — —

Mr MULINO — No, I didn't.

Ms SHING — Don't verbal him!

Mr MULINO — On a point of order, Chair, that is stating something that is not true.

The CHAIR — That is not a point of order.

Mr MULINO — I asked if he was confident in what — —

The CHAIR — Mr Mulino, that is not a point of order.

Mr DRUM — You are looking at both a metropolitan and a regional program here, aren't you? Because you were saying 87 per cent of our imports are Melbourne bound or suburban bound, and 52 per cent of our imports originate from metro, but you are also offering a regional service.

Mr TARASCIO — No. What we are saying is that there are regional services that exist that go into the port that utilise other rail lines and access the port precinct, and those should remain. What we are saying is, to make the network efficient —

Mr DRUM — Just a metro.

Mr TARASCIO — you need a metro terminal, because you cannot have a regional train that sits at that terminal for a day preventing your metropolitan trains from coming in and out at speed on a 2 hour turnaround basis.

Mr DRUM — Okay. That is very clear.

Ms TIERNEY — Thank you, Sam and Tristan. Two different questions. One is again a question about the status of this document, the *Port Rail Shuttle Project Outline*, and I understand Mr Mulino asked some questions about it but I still need some clarification. I think you said that it was a department document under the previous government. Is that correct?

Mr TARASCIO — Yes.

Ms TIERNEY — It would be helpful to have it dated. Was it the department that actually produced this, or was it Salta?

Mr ANDERSON — It was the department, and they presented it in a round of industry presentations, and I believe it was in September last year.

Ms TIERNEY — And the audience and the purpose was?

Mr ANDERSON — Many different audiences, I believe. This particular one was from a public presentation made to Shipping Australia, I believe.

Ms TIERNEY — Any others?

Mr ANDERSON — Not that I can recall off the top of my head.

Ms TIERNEY — It is just very unclear from the document what the purpose and the status are. Leaving that to one side, just a simple question: with respect to the project you have outlined, how much port land is needed for it to take off?

Mr TARASCIO — The total area I cannot recall off the top of my head, but if you look at the back of your submission, you will see the draft submission. There is attachment 1 at the back. You will see a plan of the Swanson Dock area. The red outline indicates the extent of land that would be required for the metropolitan intermodal rail terminal. In total percentage terms it is a very small component.

Ms TIERNEY — Would you be able to provide us with the total land size, on notice?

Mr TARASCIO — Yes, we can do that, of course.

Ms TIERNEY — As well as any land that you might own that would be associated with the project?

Mr TARASCIO — Details of the inland port lands?

Ms TIERNEY — Yes, please.

The CHAIR — Mr Tarascio and Mr Anderson, thank you for your evidence this afternoon; it has been very much appreciated. We look forward to receiving your final formalised submission to the committee. We thank you for your time this afternoon and your input to the committee's process. Thank you very much.

Mr TARASCIO — We appreciate the opportunity. Thank you.

Witnesses withdrew.