C O R R E C T E D   T R A N S C R I P T

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Shepparton — 29 September 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

Mr James Purcell

Ms Harriet Shing

Ms Gayle Tierney

Staff

Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

Witnesses

Mr Michael Lamperd, Group Transport Manager, Bega Cheese.

The CHAIR — I will go through the boilerplate to make it all official. I now welcome Mr Michael Lamperd, the group transport manager for Bega Cheese. 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 the information you give today is protected by law. However, any comments made outside the precincts of the hearing are not so protected. All evidence is being recorded, and you will be provided with a proof version of the transcript for any corrections in the next couple of days. The committee has allocated 45 minutes for this session, so I would invite you to make a brief opening statement, and the committee will then proceed to questions. Once again, thank you for your written submission.

Mr LAMPERD — We appreciate it, actually. It is good to be involved. It is good to be involved in the whole process in relation to going through especially important decisions like this in relation to the privatisation of the port. It is something that we do even though we are only a reasonably sized business, but we are looking at increasing our exports and increasing our imports, so it is going to be a major factor in relation to how we move forward over the coming years.

Bega Cheese is a group that has five manufacturing facilities and one packing plant. Five of those facilities are in regional Australia, so they are either in south-eastern New South Wales, being in Bega, Strathmerton up on the Murray and Tatura just down the road. We also have two facilities in Melbourne, one at Coburg and the packing plant at Derrimut. One of the main reasons we decided to put the packing plant in at Derrimut was actually to be closer to the port to ensure that what we are doing in our whole supply chain was reducing costs. In essence that is our focus. We need to reduce our costs to reduce our impact on our customers so that we can be competitive out in the marketplace.

We employ around 1700 people. The majority of those are in regional Victoria or New South Wales, and as mentioned earlier today whatever impact that we have on costs can have a directed impact related to employment. Ultimately, as we said in our submission, we are not against the privatisation at all. In essence and philosophy, we cannot be: we were a co-op, and now we are on the stock exchange. On that side too all we ask is that the regulatory authority that sits above ensure that what decisions are made are in essence double-checked to ensure that they are going to be of benefit.

The CHAIR — Thank you, Mr Lamperd. I would like to take you to those concerns that you have outlined in the written submission that you have touched on — issues around pricing and issues around the access regime. Can the committee take from that that you are concerned with the regime that is proposed by this lease, that Bega believes that will be inadequate to provide a guarantee of access and a guarantee on fair pricing?

Mr LAMPERD — We are not necessarily concerned that it is not there or not planned to be there. All we want to do is raise it to ensure that in essence there is a double-check that it is going to be there to give us the safeguard or to give us the confidence that it is going to be there. There is nothing that comes out that says on that side of the proposal that we see it as negative. In essence we are talking about ensuring what was discussed earlier in relation to the rent that is going to be applied on the stevedores, the extra cost impost on that. That is only going to get passed one way, and that is going to get passed onto us, and we will have to decide whether we absorb that cost or we pass that on to our customers. In the current climate with the commodity prices presently worldwide, that is going to be very difficult. That is our concern on that side.

The CHAIR — To pick up that example, when the DP World negotiations were underway — the rents, which you would be familiar with — it has been estimated that the cost per container, had that rent proposal proceeded, would have been in the order of $50 a container TEU. What would that have meant for your business, had that been passed?

Mr LAMPERD — We would, and we have plans in place to, look and see where we would continue to flow our imports and exports, basically. We have the opportunity, especially where we are situated in Bega, to choose whether to come south to Melbourne or go north to Sydney. In fact it is cheaper for me to freight north to Sydney than it is to Melbourne. The only other costs on there are all the added extra costs in relation to added storage costs that get built in on top. If we come to a point where it is more viable for us to go north, then we will definitely look at that option.

The CHAIR — When you say it is cheaper for you to go north, are you only referring to your Bega facility?

Mr LAMPERD — At this point in time we are only referring to Bega, yes.

The CHAIR — Currently all your output goes through Melbourne. You do not split it across the different facilities.

Mr LAMPERD — Yes. We have a chilled storage facility in Melbourne that we utilise. All our refrigerated export runs through Melbourne — in fact all our export for the group runs through Melbourne. We are doing anywhere from 4500 to 5000 TEUs a year. We are importing around 1000 TEUs a year.

Mr DRUM — Is that raw products you are importing?

Mr LAMPERD — Yes, raw products we import. It can be anything from cheese to lactose. Then there is packaging material on that side of it as well.

The CHAIR — In terms of your current business, how flexible are you in reallocating your export activities to Sydney? Is it a short-term viable proposition, if there was a cost spike through Melbourne, to quickly reallocate to Sydney, or is that something that would be a long-term consideration rather than a short-term consideration?

Mr LAMPERD — It could be something that we could turn on reasonably quickly, but that is in securing space in warehousing, which is available and is always offered to us. All our shipping lines — as again was mentioned, the ships call into Sydney, Melbourne, Brisbane, so on that side of it, for all the shipping lines that we deal with it would not be any problem for them either. In fact at times if we have missed a cut-off in a vessel in Melbourne, we will actually freight the container to Sydney to meet the ship so we can meet the customer’s deadlines.

Mr MULINO — Thanks, Mr Lamperd, for your submission and for your evidence. I just wanted to touch on a couple of aspects of the proposed post-lease pricing regime, which is obviously a critical aspect of keeping costs down for the supply chain. I will firstly deal with the prescribed services and then, secondly, with the non-prescribed services. On the prescribed services, what we are seeing in the proposed regime is that there will be more services and a broader range of prescribed services, so more services will come under that regulation by the ESC, and in addition the type of regulation will be stronger, if you will. It will be a building block method as opposed to price monitoring, which we see at other ports. Is that step something you support?

Mr LAMPERD — Yes, we support that. In essence, again, it is the charges. Any of the charges that are going to come through, and the one thing with shipping is that there always seems to be an extra charge that gets added on, whether it is a security surcharge or a service canal surcharge or whatever. There is always going to be those extra surcharges as you are going through. The prescribed ones — as long as we are aware, we can plan and we know how they are monitored and what actually drives them on that side, then it is going to be a part of business.

Mr MULINO — And the 15-year CPI cap, for the first 15 years, that is something which will both contain prices and also provide a bit of certainty.

Mr ONDARCHIE — Not on the rents, though.

Mr MULINO — I was getting to non-prescribed services.

Mr LAMPERD — Again, anything that we can actually budget for, we can actually put that into our forecasts as well. That gives us the opportunity to forward plan.

Ms SHING — Get that certainty.

Mr LAMPERD — For example, at the moment we are planning for 2020 as our next gig, and we looked at the way that the business did that. We looked at where we wanted to be in 2020, and we worked backwards and said, ‘Right, what do we need to put in place for all this to happen?’ — even down to how much milk we need to go and pick up to be able to supply the goods that we plan on selling to make the money that we want to make.

Mr MULINO — On the non-prescribed services, it is proposed that will be regulated — not regulated in the same way that the ESC regulates, but it will be controlled by a mechanism, which is quite common in the world of rental arrangements, where if there is a dispute, an independent party will come in and adjudicate. That is the same arrangement that is in place at other major ports in Australia, is it not?

Mr LAMPERD — I believe so, but the question would be: who would be that regulatory party? Who would be the one that will come in and monitor that? Is it the government, or is it the ACCC? Is it a stand-alone organisation that will, in essence, give us confidence that it is not going to be political in a way that they are only thinking of what is happening now and the next period of time until the next election? What has been mentioned here just in the short time that I have been here today is that we need to — this type of infrastructure and this type of organisation is not just about today; it is not just about the next four years. It is about the next 14 to 40 years — 50 years down the track. So that we do know where we are heading we need to — I am digressing a little bit — link up what we are doing in Victoria to what is happening in New South Wales, to what is happening in Brisbane and to what is happening in the balance of the country so that we are not going through and competing against each other. There can be a good linkage there. What happens if one of the major ports shut down and we need to divert all ships to another port? Are there any business continuity plans in relation to that? How would that occur? It is really about ensuring that we do not have any persuasion, either one way or the other, guiding which way the decisions are being made.

Mr MULINO — Given the complexities and the interlinkages that you have alluded to, do you support Infrastructure Victoria as an independent expert body having a look at where the second container port in Victoria should be? Is that a process that you think is the most robust way forward?

Mr LAMPERD — Infrastructure Victoria, along with New South Wales and Infrastructure Australia, I think that if they are independent and they are able to stand alone, the government of the day and the people of the day will make a decision and say, 'Yes, this is what we going to do. We are going to build a second port'. And it gets handed over to a body like Infrastructure Victoria to be able to say, 'This is a long-term, 15 or 20-year project at a bare minimum. The way we are going at the moment there are going to be a series of governments, so it has to be taken away from the political sphere, but it just has to be decided on, saying 'Right; this is what we are going to. This is how we going to do it'. Then with any luck they will make the right decision in relation to that and monitor what we need to do.

Mr MULINO — Finally, based upon your observation of other ports in Australia that have been leased, is it your observation that there have been improvements in the operation of those ports?

Mr LAMPERD — From what I understand, Port Botany is doing a reasonable job at the present time. I have had a couple of presentations in relation to the group up there. Again, with their rail links, they are a little bit different in relation to land and the availability of land they have. They are not situated obviously as close to the city is what Melbourne is, but productivity running through the port seems to have improved. On that side of it I have heard some reasonable reports out of Brisbane as well.

Mr MULINO — So if we could get some similar outcomes here, that would be good for our supply chain costs?

Mr LAMPERD — Definitely. That is basically where it is.

Mr BARBER — So if you are importing a lot of your raw materials and then exporting your product, you would be concerned that any price increases would effectively have a double-whammy effect on your profitability?

Mr LAMPERD — Definitely.

Mr BARBER — And just in terms of this regulatory model, the proposal that we have had is that the regulator every five years looks ahead at the efficient investment of the port operator and then allows them to recover that revenue, but the things you are talking about and the things that have been talked about today are pretty much outside the scope of that, are they not, in terms of longer term plans, bigger considerations and infrastructure needs across the whole country?

Mr LAMPERD — I think there is outside the port; there is also internal in the port as well, as in ensuring that we do have rail access to all stevedores, to ensuring that whatever technology — the way that I would see the lessee would operate with the stevedores themselves would look at seeing how they could improve their efficiencies all the way along. That is not just generally, 'We charge you rent. You pay us the rent. We will look after the building or the assets on our side'. For both of them to be viable they need to work together on that side, so I see that if it works well — and this is what we are hoping in relation to the privatisation side of it — then they will have the drive to ensure that they make that port as efficient as possible to actually hold off building a second port. If they can actually keep it for whatever the cap is — and the cap, as we know, keeps on moving. So if the cap is 5.6 and then it is now 8 million, well, then they have retained that, and that is obviously a good thing as well. That is where on that side they would have done an excellent job in increasing productivity going through that area.

Mr BARBER — But what I am asking is: how does the regulator with a five-year horizon decide what is best in terms of investment for a supply chain that stretches all the way from the port of Melbourne to Bega, as opposed to simply looking narrowly at what is efficient for investment in that port as it currently operates?

Mr LAMPERD — Well true, when they have only got a small window then it does make it difficult, but again, like anything, if you are dealing with what the cost drivers are at a particular time, then that will be across the board as well I would assume.

Mr PURCELL — The lease of the port of Melbourne has been on the books for a number of years for the government and the opposition, so Bega would have understood that it was coming ahead. You must have some reasonable confidence, though, that what is leased is not going to be an issue to you, because as you said in your submission, your company has recently established a new manufacturing plant and significant warehousing operations at Derrimut. So you must not be too concerned about what is going to happen with the lease, as a company. Is that a fair comment?

Mr LAMPERD — We appreciate that we are, as I said before, not necessarily the biggest fish in the pond and we also understand that, if there are any issues, they should not have too much of a negative approach in relation to what is happening with the port. My job is to always look at seeing which is the best way for us to move freight around the countryside and also which is the best way for us to move it basically to our customers. Currently going to Melbourne is our best alternative and is the alternative we have set up or the route that we have set up — we have got all our freight moving through one channel. We would much prefer, with the investment that we have made, to continue doing that. We do and we will. Even if there is some form of negative cost impact on that, in essence we are going to be bound to still export out of Melbourne, because otherwise it will be counterproductive in sticking our product on a truck or in a container and sending it to another port to dispatch it from. So on that side of it, it is just our other balance of product that we could actually move.

We still move a volume of containers out of the Goulburn Valley to Melbourne that we pack here at Tatura or gets packed in Shepparton. We are still doing a number of exports in relation to managing exports for the likes of and Kraft and the Kraft business. So on that side of it we have got the facility in Derrimut, but then we also do have the ability of shuffling around our other assets if required to balance that out. We will look at that as a whole rather than just as an individual.

Mr PURCELL — The other point I was going to make is: you are saying that the planning of the second port needs to be a priority and that it is critical that the new operator of the leased port should not paid compensation. In regard to the second port, do you have a preference for a location? Do you think there is a better location for a second port?

Mr LAMPERD — For us, Western Port Bay, since we are set up at Derrimut, is where we would like it. Hastings? Moving freight all the way across town, again there is extra infrastructure that will be required in relation to doing that.

The CHAIR — Mr Lamperd, can we just clarify? You referred to Western Port Bay and then Hastings. Were you meaning Bay West?

Mr LAMPERD — Sorry, Bay West. In relation to that, yes, we would much prefer Bay West to Hastings. The only thing that would sway that in essence would be again if it was more economical for the government at the time or Victoria at the time to actually do something at Hastings, so we could actually bring in the larger ships, which again would actually reduce our costs so we could balance those costs out. The costs for us in moving freight from Derrimut, say, to the east or from Shepparton or the Goulburn Valley to the east of Melbourne is actually balanced out, because it will cost us more to do that.

Mr ONDARCHIE — Michael, I want to talk about the unregulated environment as a consequence of this 70-year lease.

Ms SHING — Fifty-year lease.

Mr MULINO — It is not a consequence — same arrangements.

Mr ONDARCHIE — Fifty plus 20 years. I am getting tired of correcting their mathematics. Anyway — —

The CHAIR — Move to your question, Mr Ondarchie.

Mr ONDARCHIE — I think you called them unjustified price hikes. I am interested in your comments about the potential for rent increases for stevedores, which will flow through to your business. The government has suggested that there might be some sort of mediator that helps through this. You may be interested to know that the mediator in the Port of Melbourne versus DP World discussions was the government itself.

Ms SHING — That is actually incorrect.

Mr ONDARCHIE — That is interesting. So we are not quite sure how this is going to turn out, but to be fair to you, every day there is a new iteration about this. What is your view about a monopoly business that has the freedom to charge whatever they want to stevedores? What is the potential impact on your business and that of the supply chain?

Mr LAMPERD — The potential impact is that, obviously, whatever costs, as I have mentioned, are added in we will either have to be absorb and take a lesser margin for, or we look elsewhere or pass that cost on to the customer. Passing costs on to the customer at the present time is not very favourable, especially the way the commodity market is at the present time. With any luck, within the next 15 years we will be out of this cycle and we will be into a peak, and it may be something the business can absorb at that time.

If we were to look at what we are doing currently and have price increases go through — we look at any increase that we are actually presented with by any one of providers, and we challenge those increases. They have to show us what their cost drivers are and how they relate back to those — so, in essence, how are they proving to us that it is wages or mechanical expenses, even down to tyres. Fuel is taken out of the equation, but anything to do with what they might do in relation to costs, especially on the transport side, or on the warehousing side, or in fact even if they are supplying cardboard for us, we would expect the lessee would actually have to go through that same practice with the stevedores. The stevedores would say, ‘Right, what is actually driving these increases?’.

Mr ONDARCHIE — It might not happen.

Mr LAMPERD — Again, it will be to their own detriment, because there will be other businesses like us that will look at what alternatives there are for us.

Mr ONDARCHIE — Like Sydney.

Mr LAMPERD — Mmm. And by that time, the inland rail will be done, so there is also Brisbane that can be looked at.

Mr ONDARCHIE — Good point. Picking up the government’s hostility about 50 plus 20 equalling 70 — —

Ms SHING — It is just an enjoyment of facts as opposed to fallacy, Mr Ondarchie.

Mr ONDARCHIE — You have a view about how the additional 20 years that under the current legislation can be exercised at any time might be decided in your submission, and that is it is a decision for the Parliament, not just a contractual arrangement as part of this legislation. Could you just expand on that for us?

Mr LAMPERD — I think, again, it comes down to 50 years — it is going to be interesting to see where we are actually sitting. Again, as we have mentioned, we do not know where we are going to be. We do not know where the cap is going to be on the current infrastructure we have. By that time, we may have a new port in place. By that time, the new port might actually be able to take the full capacity of the existing port as well. So the port of Melbourne may actually be closed down. As I mentioned, it is very expensive land. It could be redeveloped. Is that an option? That could be an option in that period of time. Again, it is hard to say what can actually occur over the next 50 or 70 years. Again, I think it would be more suited to someone like Infrastructure Victoria, once they are up and running, to actually manage that side of things, because, again, my feeling is that that would be their domain, and the port is a very big piece of infrastructure.

Mr ONDARCHIE — Indeed. Finally, given that you are a major regional employer, what is your view about the fact that of the ultimate price that is realised for the sale, only such a small amount is going to regional Victoria when the bulk of it is going to service level crossing removals in south-east Melbourne?

Mr LAMPERD — I think regional centres are reasonably used to that sort of activity, if I may say it, the population being drawn where it is. The government has been quite open about the fact that one of the reasons for the port to be leased is to fund the level crossings and other activities that will improve — I must admit — activities and movements around, especially, south-eastern Melbourne. I have literally just moved from Melbourne to Tatura in the past 18 months. Taking the comments from the previous gentleman, yes, I think regional communities will do a lot with a little — they will also do a lot with a lot more.

Mr ONDARCHIE — Indeed.

Mr LAMPERD — We have issues here in regional Victoria that you are probably seeing more in the country than you do in the city, because there are obviously more people and it is more crowded — for example, the ice issues that are currently around. They are everywhere, but they are actually more prevalent in the likes of — as far as it has been visible to me anyway — Shepparton versus when I was living in Melbourne. You have the suicide rates, and all those other activities that relate to services that have been provided. Could there be more? Yes, there always could be more.

As I said, we have 1700 employees. The majority of those are based in regional areas, either in Victoria or in New South Wales. Does our business support the regional growth? Yes, we have a number of different functions — we have one coming up; the Tat 200 — that all put money back into Tatura. When it is divvied up, that is the proviso — that they spend money back in the town. The same thing with the Bega function that they have; they pick a charity or an organisation that is going to be the beneficiary of the activity that occurs.

Yes, we would always support more activity and more funding going to regional centres. It is basically where our heart is. Our farmers are all regional, obviously, because there are not too many dairy farms based in the middle of the city. So we will always support that. Take it to 5, yes, we would be happy; take it to 15, we would be extremely happy.

Mr ONDARCHIE — I will take that as a bid. Thank you.

Ms SHING — Thank you very much, Michael, for the evidence that you have given today, and also for the submission that was signed by the CEO on behalf of Bega. You have indicated in earlier answers that you want to ensure that rent increases for stevedores do not skyrocket. Both the Chair and Mr Ondarchie have referred to negotiated outcomes that the Chair indicated would have seen a materialisation of a 750 per cent increase. That did not occur, obviously. We have now seen rents along the lines of agreement at $20, with DP World now agreeing to a further 50-year lease, and they have also developed on-dock rail to be able to improve the infrastructure and the streamlining of freight and logistics in that area. These things all point to an incentivisation for a private operator to put back into the port of Melbourne to maximise its growth in capacity. What is your view in relation to that in light of the comments you have made about how it is in fact very good business to see the port of Melbourne develop and grow in that way?

Mr LAMPERD — Definitely. I think I mentioned earlier why we support the privatisation in the first place. It is so that business will have the incentive to actually improve efficiency and productivity through the port.

Ms SHING — So it gives them certainty to invest in the longer term?

Mr LAMPERD — That is right. As I mentioned earlier, if you know what your charges or costs are going to be over a period of time, then you can forecast; you can plan for that. That is where, if there is any doubt, it is after that regulatory period finishes. Are we going to get a hike in rents? It is like what was mentioned. When conversations were happening in relation to the port sale and the 700 per cent and all of that, it was being mooted that it was going to cost an extra $200 or $300 a box to send it through the port. Of course that is something that put a shiver down everybody's spine in relation to imports and exports. Scaling it down, there are always going to be price increases. We know that, so that is not a problem. As I said before it is in relation to if they can be justified.

The problem with capping as I see it is that you are always going to have a catch-up at the end or somewhere along the line. Again, if you understand that, then you know there is going to be a jump, so you can plan for that as well.

Ms SHING — And you can build that into your business planning model and your strategic plans.

Mr LAMPERD — That is right. So with forward planning on that side, as long as you are given the notification — it is like what anybody does if they do it correctly. We have mapped out a series of where we are going to go to for the next 5, 10 years, and we then check ourselves at each level. I do not see any difference in what would happen at the port.

Ms SHING — The next thing I would like to ask you about is the economic regulatory framework. That is something that has been touched on in earlier conversations with the committee today. The Department of Treasury and Finance has put together a submission. I am not sure whether you have seen it. It is a document of about 22 pages. It has got tables that compare and contrast the economic regulatory framework along the lines of the proposed lease on the one hand and other jurisdictions around Australia on the other. That shows there will be a much more stringent economic regulatory framework in place where this bill is passed. Does that address the position you have expressed around needing to make sure there are accountabilities and transparency built into the process of the lease in the first instance and future transactions from that point on?

Mr LAMPERD — What it does is give us confidence. Firstly, I have had a quick flick through the presentation.

Ms SHING — Great.

Mr LAMPERD — I have not read it in detail, but it will give us the confidence that everything has been put on the table and justified and compared. I am the same way in that if I get a number of parties coming to me and asking for an X-per cent increase, and if somebody else comes through and has doubled what the benchmark is, then of course I am going to question that. I am going to see why they are so different to the others. It could be that they are going through a reasonable jump and a resetting. If we are doing that from the beginning, that is all we are asking for. It is not up to us to say, 'This is not right', or, 'That's not right'. We would hope that the community and the government as a whole would be overseeing that with the regulatory bodies that are required. That is why we have you guys working for us on that side. As long as we have got the confidence that is occurring, and if that is right, then we do not have any problem.

Ms SHING — A final question: we have heard evidence from a number of witnesses in relation to the role of AQIS in assessing inbound and outbound product, and the way in which that can lead to delays, demurrage charges and additional fees. Would you support the commonwealth government coming to the table in relation to making it easier and streamlining processes involving AQIS to ensure that you can get your product to market more smoothly and quickly?

Mr LAMPERD — Definitely. I would totally agree in relation to import and export. Import in the way of tailgating — for example, with the product that we import into the Goulburn Valley. It goes through a tailgating exercise and then gets moved up. If we could move it directly off the port into the area, then do the tailgate inspection, that would be more efficient for the carrier and obviously cheaper for us. That would streamline both sides.

Mr DRUM — Just a few clarifications. On your first page, second paragraph, you are effectively suggesting that the Victorian Parliament should have the opportunity to reject the 20-year extension — that before anyone gets the opportunity for the 20-year extension it needs to be passed through the Parliament of the day.

Mr LAMPERD — Yes, it needs to be looked at. I mentioned before that over the 50-year period a number of changes could occur, so we need to be able to have that as a safeguard. It depends on the finance and arrangements in relation to how the lessee will structure on that side. If he is working it out over 70 years, obviously it is a reduction in cost that is amortised over that period of time. If it is over 50, he is going to want his payback in that period of time as well. You could see the advantage would be that if we did extend it out, then theoretically it would not be as high an impact as it would be over a shorter period. But then, as I mentioned, a whole lot of parameters could change in that period of time.

Mr DRUM — In the first para on the second page, you obviously think the existing port will be maxed out within around 20 years, but you do see the compensation clause effectively skewing the development of the second port or a new port if they have to have a guarantee of minimum container volumes.

Mr LAMPERD — The compensation claim is a challenging one. Personally I think if I am in business, I am setting something up and I know something is on the horizon — we know a second port or a new port is coming, it is going to happen somewhere along the track, it is not as though we can open up a port tomorrow. We have got 15 or 20 years to develop and build, and we need the infrastructure around it.

Mr DRUM — Who is going to build it?

Mr LAMPERD — That could be anybody, really, if they have got the finances. I do not think we can turn around and have the government build it. Private enterprise will do that.

Mr DRUM — If they are only going to build it, what is it going to cost roughly?

Mr LAMPERD — You are asking the wrong person.

Mr DRUM — Pick a figure — $10 billion?

Mr LAMPERD — No, I think it would be in the billions would it not?

Mr DRUM — I said $10 billion.

Mr LAMPERD — Ten billion, yes, it could be.

Mr DRUM — Then your revenue to get your money back is going to be the overflow that you are allowed to trade in after the port of Melbourne gets its guaranteed containers. Is that how you see it?

Mr LAMPERD — Just to clarify, who is getting the compensation? Is it the lessee of the port of Melbourne?

Mr DRUM — Yes.

Mr LAMPERD — It is? If I have got a business, and I know I am going to get some competition over a period of time, I know if I have got a set volume going through, that is what I have got to work my cost model out on. If it is 5.6 or whatever the figure is, I will do my damnedest to increase that figure.

Mr DRUM — Or go in high to start with.

Mr LAMPERD — I will improve my efficiencies so that I can go through and hold off the second port for a longer period of time. But if I know that I am going to get compensation, what gives me the drive to be able to do that? If I know that all I need to do is build up to a 5.6 million capacity and I am going to get compensated for anything over the top of that, then why should I go any further than 5.6?

Mr DRUM — We have heard this term being thrown around by the department of treasury. They are saying they are going to introduce a use it or lose it clause, but we have not seen anything about that, and I do not know how that actually will manifest itself. I suppose I am throwing all these issues forward because I am coming to be of the opinion that we need to sort this stuff out before we actually do this deal.

Mr LAMPERD — Again there are so many different parameters. We cannot decide on a number.

Mr DRUM — We cannot decide on a number.

Mr LAMPERD — Even the experts cannot decide on a number.

Mr DRUM — We cannot decide on a place, which is fair enough. We cannot decide when.

Mr MULINO — Infrastructure Victoria is looking at it.

Ms SHING — That is right.

Mr LAMPERD — There was a forum that was held, I think, last month in Wyndham. It was amazing. Just close to the end they put up a series of projects that have been put forward. I think there were about 9 or 10 of them on the screen. In essence the comment that was made was, 'These aren't going to happen'. A gentleman stuck his hand up from the audience and said, 'I work for the government, and I'm telling you that they are still under consideration'. A number of those activities have been around for between 5 and 10 years

Ms SHING — But it is only partial compensation. You do not get compensated over and above — —

The CHAIR — Order!

Mr LAMPERD — If somebody next door to us wanted to set up a business that was the same as what we are doing, we do not get compensated. We actually compete against that business. We are going to do our damnedest to make sure that we are competing. That is what I believe the port should do as well. They should do their damnedest to ensure that they are attracting companies like us to ensure that we are still repeat customers running through their ports.

The CHAIR — Mr Lamperd, thank you very much for your evidence this afternoon and indeed for the written submission that the committee has received from Bega. We very much appreciate your participation. The committee will have a draft version of the transcript to you in the next couple of days for any corrections. I will now close the hearing.

Committee adjourned.