

CORRECTED VERSION

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 8 September 2015

Members

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Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

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Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

Witnesses

Mr Rod Nairn, chief executive officer, and

Mr Phil Kelly, Victorian state secretary, Shipping Australia Limited.

The CHAIR — We will now continue our hearing with evidence from Shipping Australia Limited, represented by Mr Rod Nairn, AM, chief executive officer, and Mr Phil Kelly, OAM, Victorian state secretary. 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 for by the Constitution Act 1975 and is further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide today is protected by law; however, any comments you may make outside the precincts of this hearing may not be so protected. All evidence is being recorded, and you will be provided with a proof version of the transcript later this week for verification. We have allowed 45 minutes for this session. I invite you to make a brief opening statement, if you so desire, before the committee proceeds to questions. Thank you for your time this afternoon.

Mr NAIRN — Thank you for having Shipping Australia here to make comments in relation to this inquiry. Ports are very important parts of infrastructure, and as representatives of shipping companies, we see them as an absolutely necessary go-between between the land and the sea. I would contend that the purpose of a port is to facilitate the efficient movement of trade between the sea and the land. For that reason Shipping Australia would like to ensure that the privatisation of the port of Melbourne does not introduce unnecessary costs or barriers in that transaction.

Australian ports are already expensive by global standards. We are five times more expensive than Malaysian ports, four times more expensive than Singapore, three times more expensive than Indonesia and twice as expensive as New Zealand. If you think it is all a matter of scale, unfortunately the New Zealand argument turns that on its head, because their throughput is much less than our ports and yet their costs are much lower.

I would like to acknowledge that the government has made substantial effort to explain the bill since it has been published, and I thank both members of the government and its advisers at Morgan Stanley for helping me to clarify some of the questions I had during the early stages. There are still a number of concerns that we do have, and, simply, they relate to transparency in matters of the bill, particularly those that are referred to the initial pricing order, which has not been made publicly available. I contend that even if it is not made publicly available, it should be made available to this select committee in order that it can provide good consideration of all the details of that before making any recommendations.

I apologise that I did not have a submission ready early enough for this hearing. I intended to have it by Friday. I have actually brought that forward, and I did manage to submit it at 1 o'clock, but you would not have seen it, so you now have a printed copy to refer to. You would not have had time to read it, so I cannot take it as read as I would normally like to do. If you do not mind, I will just refer to a couple of points in here. In fact I might move straight to the summary, and then let the questions drag out extra information.

We consider that transparency in both the terms and conditions of the compensation package and also in relation to aspects of when that kicks in and what it applies to exactly would be very useful for the Victorian people. I mentioned earlier that Australian ports are quite expensive, and if you look at the difference between Australia and New Zealand, the one striking difference is that there is proper, open competition between ports that are relatively closely spaced; for example, Auckland and Tauranga, and Lyttelton and Timaru on the South Island. I think this is the key to ensuring efficiency in port operations. We do not have that in Australia. Our ports are geographic monopolies, and we cannot do anything to change that. As much as my members do not like regulation, we believe that there needs to be strong and effective regulation of monopoly services provided by a private port operator.

Last year when I addressed the Essential Services Commission review into the port of Melbourne pricing, we recommended that they strengthen the levers they had to apply pressure to port of Melbourne pricing increases, particularly anything that fell outside the scope of CPI. That was in the context of a government-operated port where users always had the option of seeking ministerial review. With a private port those sorts of oversights, regulatory oversight, is more essential.

Could I also say that in the recent privatisations on east coast ports, whilst my members and Shipping Australia are not philosophically opposed to port privatisation, we believe that we have suffered as a consequence from a cost perspective. I think there is an opportunity here for Melbourne to not repeat the mistakes that have been made in other states. It may be a difficult decision on what is a mistake and what is a success when it comes to purchase price versus ongoing cost to users, and that is obviously a decision that a government needs to make. I

would contend, and I think the ACCC have pushed this point quite strongly themselves that, going back to my initial definition, the purpose of a port is to facilitate trade and the state should benefit from all aspects of the logistics chain and the movement and the increase in their economy due to that facilitated trade and not rely on making a financial windfall from the sale of the port. The more any private port operator pays for a port, the more the users will pay throughout the life of the port. It has to be so.

There is one other concern that we have and that is the cost of providing residual services which are retained by the government post-privatisation. In the recent privatisation in New South Wales we saw what became — sorry, I am just getting the names right — the Ports Authority of New South Wales increase their navigation pilots charges by 9.64 per cent immediately in the following financial year. The reason they did that is because most of their revenue stream was sold off to the private operator but their costs remained in providing those necessary government services of safety, vessel traffic services and in their case they provide pilotage. I know that will be different under the current model in Victoria.

I think that is probably enough in introductory remarks. I think we can expand on any more as questions come forward.

The CHAIR — Thank you, Mr Nairn. I am interested to explore the points you made around the difference between a private monopoly and a government monopoly and the pressures there on pricing. We saw earlier this year, and you would be very familiar with, the rent negotiations for DP World at the port of Melbourne and the proposal from the port corporation to lift rents from \$16 a metre to \$120 a metre which ultimately settled at 20 increasing to 45.

We have heard evidence earlier today that those negotiations took place with the Department of Treasury and Finance in the room representing the shareholder, the state of Victoria, and the chief executive, Nick Easy, said they were also done in the context of knowing that a port transaction was about to take place. How would you see a similar negotiation playing out in a post-privatised environment where Treasury is not in the room representing the shareholder, and there is not the public scrutiny on a transaction coming up to the lease transaction where you have a privatised operator needing to get a return on the \$6 billion they have invested — or whatever it is going to be? Would you have confidence in a reasonable outcome for a stevedore, and obviously then the downstream impacts for shipping operators, of a private monopoly negotiating those rents without price controls?

Mr NAIRN — I am not sure I am the right financial expert to answer that question, but I will have a punt if that is okay from what I have seen. I have been closely following and engaged by parties on discussions relating to the DP World event. Can I come back to the answer to the future and just say something: I think a lot of the cost increases that we have seen that are related to privatisation of ports are driven by the government actions leading to those privatisations. I am not blaming necessarily the private operator for price gouging; what I am saying is that in the actions leading to those privatisations, they can occur. For example, in Brisbane there were substantial land revaluations leading to privatisation, which increased port rents and has subsequently increased costs of services through the port of Brisbane since privatisation, but it was due to the government's action prior to privatisation.

The same can be said for government action in New South Wales to introduce a ports logistic charge on the port immediately prior to privatisation. That charge was then passed on and added to consumers after privatisation. What you are going to get depends on government actions leading to that privatisation. In Melbourne many of us looked at the initial claim of around the 700 per cent in rental rise as a positioning for privatisation from the port, and possibly on behalf of the government. So we saw this as trying to set a higher price benchmark to increase the value of the port, which would have similar outcomes to what happened in Brisbane. Any commercial negotiation starts with people setting the bar at a negotiation point and often by making quite outlandish claims in order to try to change people's paradigms before the negotiations commence. It is a normal negotiation-type tactic.

I am now trying to answer your question. Going forward we have some concerns that if there is not price control, whilst renewal of leases or extension of leases and price provisions will have built into them commercial mechanisms for both solving disputes and bringing in independent umpires, if you will, within those lease arrangements, it is when leases expire that you usually get the step change in cost, and that is where it is very difficult for a new operator to come in and bid into a new process. If you are a businessman, you realise an existing operation is going to cost a lot to stop and move and a new operator is going to have to pay

more to get up and running as well, so there is a fair bit of cost leverage in that situation where a lease expires. I would be concerned that without some financial oversight of price regulation there could be some fairly large step jumps outside what you might consider to be reasonable in that case.

The CHAIR — In regard to the overall transaction, the chairman of the ACCC, Rod Sims, has publicly floated a warning to the Victorian government around concerns about maximising revenue up-front through the lease at the expense of the long-term interests of the port supply chain and ultimately the Victorian economy. Has Shipping Australia formed a view on whether the balance in the transaction is right between up-front short-term revenue and long-term interests of the asset?

Mr NAIRN — I think there are two things here. First of all, we have not seen any bids for the port and we do not know what people will bid for the port.

The CHAIR — But the model that has been put in place?

Mr NAIRN — I come back to my question on transparency. I am not quite sure exactly what is covered under what I am told to be increased scope of the Essential Services Commission price monitoring. I have read the act and the explanatory memorandum, and it refers to the initial pricing order. I have listened to the Treasurer's statements where he says that the scope will be increased, but certainly rents are excluded, I know that. But I am also concerned about other aspects such as whether any new charges may be able to be raised which are not currently there, so they are not considered as existing charges and they are certainly not under the prescribed services.

For example, clause 90 excludes anchorages from prescribed services. Does that mean that we will see increases in anchorage charges? At the moment there is a five-day charge-free period in anchorages. I do not know, because there is not enough information for me to know. Should I know? It is a tough call. I do take on the point that has been made that if you put all your cards on the table, you are not in a strong negotiating position, but by the same token there is so much flexibility in this at the moment that it makes it quite worrisome. As I said earlier, my members have been burnt by a few privatisations and we would like to express our concerns and ensure that as much as possible can be done to make sure that the port of Melbourne retains its position as the biggest and most successful port for containers in Australia.

The CHAIR — Just as a final question, on balance would Shipping Australia support the passage of legislation as it stands now?

Mr NAIRN — Do I have to answer questions with direct answers?

The CHAIR — It is preferable. We are the ones who usually get away with less direct answers.

Mr NAIRN — My point is that if I were making the decision — and my members are on side with this; we have discussed this at length — we would want to see more information to know whether it was worth supporting. It is a bit like a blank cheque at the moment in that there is a lot of good stuff that allows flexibility and if it is well implemented can provide a good result for Victoria, but at the same time there is no guarantee that it is going to provide the best outcome for Victoria, and that does concern me. To answer your question, we would prefer to see some strengthening of the price control mechanisms, which I believe are not strong enough.

There was one other point that I did mention briefly — the compensation regime. A real concern for us is that five of my members who are large operators of container vessels have told me that if there were no limitations, they would be bringing 8000-TEU ships to Australia within five years. It is only five, it is only what they have told me, I have not got facts, I have not got contracts, but at the moment the answer is that they cannot effectively bring those ships to Melbourne. This is 5 years, not 50 years. The future development path is not clear.

Let me pick another example. The Treasurer said in a speech yesterday which I listened to that a private port corporation was not limited in any way for developing another container port. But I am not clear on whether if that were to occur — let us say we pick Portland, for example, as an already existing private port. It might wish to move into container operations and handle bigger ships, and that could be the case, but they could not do it without state government support to further developing its infrastructure and connections and intermodal hubs et cetera. Would that be included under the compensation regime? I do not know.

The CHAIR — That is a fair question.

Mr NAIRN — It would be nice to know that, to know whether there are options for commercial operators or whether if the government gets involved with supporting a commercial operator, they then activate the compensation regime. I just do not know the answer to that. There are some concerns which I think at the moment should be clarified before the bill is passed.

The CHAIR — Thank you.

Mr MULINO — Thank you, Mr Nairn and Mr Kelly, for your submission. I just wanted to focus on one of the issues you have raised and the one that has probably taken up the most time in the conversation so far, which is the pricing regime. I just wanted to refer to some evidence that was provided this morning which I think in part may answer some of your concerns but I think might also point to further information that will be provided which might provide even further information. It was put to the committee this morning that the pricing order will be provided to the committee and made public at some point very shortly. That might have some redactions in it, but my understanding is that being able to sight that will provide at least some comfort. It will be interesting to hear your views, having sighted that document, albeit with minor redactions, as to whether it answers some of your questions.

Having said that, there were a couple of points put forward in the DTF written submission, but also in their verbal evidence this morning, that I thought I might just flag with you to get your initial thoughts but subject to you perhaps solidifying those thoughts when you end up seeing the pricing order. As you mentioned, there is a broadening, and Treasury was quite specific in saying that other than rent 86 per cent of current revenues will be defined as prescribed services. That is quite a broadening of the regulatory sphere compared to what is currently regulated. In addition to that, there is a qualitative change, moving away from price monitoring to a building block approach. Treasury this morning, and also in their written submission, talked about the building block approach that has been proposed, which falls in line with what we see with many utilities. I just wanted to get your reaction to those two high-level characteristics of the new system.

Mr NAIRN — Thank you. My initial reaction is that these are very positive. I have to apologise. I was pointed at a copy of the government submission yesterday at 8.00 p.m., I think, and I just did not get to read it while I was writing my submission. I opened it and it was too big, and I thought I just have to write down what I have got now, and if that answers my questions, then this committee will know that that submission answered my questions. So I admit I have not read it. Thank you for drawing my attention to it. I am encouraged by 86 per cent of current revenue sources being covered. And you say 'other than rent'. Is 'other than rent' the extra 14 per cent, or is there something else?

Mr MULINO — The 14 per cent is largely rent, essentially rent.

Mr NAIRN — So I assume that means that anchorages will be then?

Mr MULINO — No, I think anchorages — —

Mr NAIRN — Or are they still going to be monitored by the government authority? Because I just noticed that they are excluded from the prescribed services under clause 90.

Mr MULINO — Just looking at the DTF submission on page 41, anchorage is neither a current prescribed service nor a proposed prescribed service, but basically there are other services, such as slipway, licence and right of access, and there are any number of other areas which are currently not prescribed services which will move in.

Mr NAIRN — Which could be great if there is. For a business it makes sense.

Mr MULINO — I think there is also scope for new charges to fall within that prescribed services definition.

Mr NAIRN — I will be open. One of our concerns is these new charges, or non-controlled things, in a monopoly getting a reasonable pricing. Within three months of the port of Newcastle privatising, they increased navigation charges for coal ships by 60.8 per cent. Now it does not sound like much — it is about 26 000 per visit for a coal ship, and everyone says, 'Oh, yeah, coal ships, they can afford that' — still it adds up to \$22.5 million a year. It is a big number. I do not know whether that is in here, but these are the things that have

made our members a little scared. That is what I am saying. We look and then go, 'What can we do now?', because once it is in place we cannot do anything. That is why we are cautious.

Mr MULINO — I understand. The other question I had was in relation to the non-prescribed services, and, as has been raised, DP World and negotiations around those rental increases is an example of that. It is fair to say that nowhere in Australia at the moment are those kinds of rents regulated by an economic regulatory regime along the lines of the ESC or the ACCC. They are basically left to market-based adjudication mechanisms. What would you say about the outcome of the market-based adjudication mechanisms that we saw arrived at in relation to DP World?

Mr NAIRN — I think I am on record as saying that it was a good outcome for both parties in that case. I think as long as the land is not allowed to be used for some non-port-related purpose, so that the port operator could remove that land and not renew a lease in an area or put very high claims on lease requirements because he wants to use the land for something more lucrative which is not port-related. That would be of concern to me. If that is covered, and I have not actually looked for that, I would think commercial operations should be reasonable in most cases. I did say before that there would be a lot of pressure on a step increase if a lease was then to expire. But most operators will get in ahead of a lease expiring and try to negotiate a mutually beneficial long-term deal, which would come out as a reasonable commercial aspect. Both the port and the tenant need to be able to operate price effectively for their businesses. I am not as concerned as long as the controls ensure that the land cannot be used for non-directly port-related purposes, and you could have a legal case on what is a non-port-related purpose. I mean, if you put a cafe and a few other things — I do not know.

The CHAIR — Just to take that point up. You would like to avoid what has happened with the privatised airports where a lot of the land has been used for big-box developments.

Mr NAIRN — I think that is a good example: in Canberra where an airport was sold off and then turned into retail.

The CHAIR — Retail big-box developments, exactly.

Mr NAIRN — Yes. Another retail centre on the waterfront with a few cafes, I do not think is the right thing for a port operator to do instead of having a stevedoring terminal, if you are trying to get to a large number of boxes a year, which I do not know how many, but I think the capacity we were told yesterday from the government's perspective is somewhere between 6.5 and 7.5 million TEU. Did I answer?

Mr MULINO — Yes. It sounds like you are comfortable, in the case of rents, with broad market adjudication, subject to the standard kind of approach.

Mr NAIRN — You have got to look at rents overall. If you look at land in Melbourne for residential purposes, it is worth a lot more than Melbourne land for port purposes. So you have got to keep it for the appropriate purpose, and if you do it that way in an existing leasehold that wants to renew his lease, he should not be forced unreasonably. Unless the port could bring in an alternative, more lucrative method, you would reasonably expect that they would negotiate a reasonable solution.

Mr BARBER — Just one quick one. I think your submission is very comprehensive and obviously quite clear about what you are saying. Just on your dot point f, on the back page, do you have any idea, or perhaps it is a matter for our committee research staff to find out, how much of the port's cost base would be those things that they will have to keep doing anyway, because you are talking about some pretty high rates of increase on some of those charges?

Mr NAIRN — It is a concern for us because it often happens where you sell off the income stream but you do not sell off the liability for providing ongoing services. That is what happened in Sydney. They are trying to find ways of reducing their overheads but the government services still provide a certain amount of services. They do the surveys. They do the vessel traffic management services and some of the navigation services and things like this, and they just did not have the revenue base.

I think there are a couple of models you could look at. If it was looked at now, you could say that needs to either come out as an ongoing charge that the port lessor/tenant/port owner/port operator pays because they need those services for their port to function, or you say, 'Just take that into account in the price and let me get that lump

sum. We bank this much and put it towards the government providing those services on an ongoing basis' — you know, put it into central revenue or however you wish to do it. Certainly that is what happened with the PBLIS — that is, the Port Botany Landside Improvement Strategy — parts of the NSW Ports privatisation. The government took on those aspects and that was funded from a lump sum at the start.

Mr BARBER — Do you think it won't be long, if that is not taken care of — —

Mr NAIRN — It will not take long. As soon as you get that separate business entity that says, 'I can't do everything within my budget', they have got to do one of two things. They have got to go back to government and ask for more money or, depending on the response to that, they can say, 'No, find it yourself', which means we put up some charges on things that we are providing.

Mr BARBER — Your members. We have rushed you into this whole process in terms of appearing here, but once you have had a chance to read the government submission, then you could even write back to the committee —

Mr NAIRN — I will do that.

Mr BARBER — and tell us if you have formed a view on how the bill addresses that issue.

Mr KELLY — What is the time frame on that?

The CHAIR — We would welcome that as soon as possible. Formal submissions, as you know, close on Friday, but obviously we would welcome your comment back on that as quickly as possible.

Mr BARBER — Just as a follow-up to your testimony really. I mean, you have got your own time to do that.

Mr NAIRN — Thank you, I will undertake to do that.

Mr PURCELL — I would like to tease out from you if I could in regard to capacity in the port. As you know, the bill effectively says that until the capacity of the port of Melbourne is reached the establishment of another port will mean you need to pay compensation back to the port of Melbourne. I take you to point 20 that you have in your submission where you are saying that the 8000 TEUs could be visiting Melbourne if the port was a different design and could have different capacity. These may be going to other ports rather than into Melbourne and shipped by road or rail back into Melbourne. Is it possible therefore that you never get to capacity in the port and therefore never develop a second port?

Mr NAIRN — Can I answer that in a couple of parts? First of all, capacity is a bit confusing here because you have got capacity as far as TEU and then you have got capacity in the size of the ship that you can accommodate effectively in the port. Then there is a subsection of that second part, which is the size of the ship that you can accommodate without tidal restrictions or limiting when they can manoeuvre and berth and unberth and move through the heads et cetera. So there are a couple of things there. It is really unlikely that a land bridge would become economic enough to bypass the port of Melbourne. There are two reasons for that. It is more likely that if Melbourne cannot take the bigger ships, they might lose export market to Sydney or Adelaide because there can be reasonable rail links to those ports and those exports produce have to travel reasonably considerable distances to get to the port anyway: they have got to be loaded onto either a truck or onto a train to go somewhere — always a truck whether it is close or far.

But 80 per cent of the imports do not go outside the metropolitan area, and the cost of moving imports from Brisbane or Sydney or Adelaide to bypass Melbourne is probably prohibitive for time to come. I think what realistically will happen is they will limit the size of ships coming to Australia, because those ships still want to come to Melbourne in most cases. It will increase the costs. It could end up with older ships staying on the line longer than otherwise. They will not be as environmentally efficient. They will not be as cheap per unit of cargo to operate, so it would increase our costs. It is unlikely that Melbourne would be bypassed as such.

The question of would it be the stage that you never reach capacity — the argument of capacity is a difficult one. At the moment I am told by the stevedores that the capacity of Melbourne as we stand today, assuming that the third terminal at Webb Dock was operating, is around 4.2 million TEU. Getting to a bigger number, whether it be 5.2, 6.5 or 7.5, if that were possible, would mean substantial investment by the terminal operators to

increase their usage of their land so they have got higher stacking of their boxes et cetera and better movements in and out of the port. It will not be achieved unless the bottlenecks in the landside infrastructure are resolved and the terminal operators find it economic to invest in doing those sorts of things to increase their capacity within their terminal. That is really the current limit I can see for capacity.

The problem with a bigger ship — you can actually physically get an 8000-TEU ship into Melbourne if you wait for the appropriate tide, if you ballast it in the correct way. I understand that the limits at the moment are set at 320 metres in length; most of those ships are longer than that but some of them might only be 335 or so. If you do specific risk analysis on a case-by-case or at least some more testing — hydrodynamic work in the bay in getting in and out of the rip — and that sort of thing, you can potentially get a bigger ship in, but you cannot do it efficiently because you cannot just get it in and out when it arrives. You have got to wait or you have got to move it or you cannot load it fully with cargo or you cannot get it in if it has not got enough cargo. Because if it has not got enough cargo and the ship is not deep enough, it cannot get under the West Gate Bridge, but if it is really deep, then it hits the bottom of the Yarra River. You have got that balance in between. I am waffling a bit, I apologise.

Mr PURCELL — No, you explained it well. It is appreciated.

Mr ONDARCHIE — Phil, I reckon you know something about this. Given there is some uncertainty around the charges that are unregulated, and Rod has just told us that it is unlikely that some ships will move to other ports because they need to be here for importers, is it possible then, with the uncertainty around these regulated charges, that operators will just look to exploit market participants?

Mr KELLY — That is our fear. There is nothing in the legislation as we know it at this stage that prevents that happening, and that is our biggest fear.

Mr ONDARCHIE — Given that we are talking about trade and jobs here, would your advice to me be, ‘Do not vote on supporting this lease sale until we know all the evidence’? Is that what your advice to me would be?

Mr KELLY — No.

Mr NAIRN — I think we have got to look at this a couple of ways. I hate giving a straight answer; I should have been a politician.

Mr ONDARCHIE — We have noticed, Rod, we have noticed.

Mr NAIRN — The reason that the shipping sector struggles with taking extra on-costs is because it is so competitive. There are 26 different liner companies operating liner services into Australia. It is a very competitive market. They are all competing with one another, even those that are in the same consortia, sharing slots on their ships, are still bidding against each other on how much they charge. It is a pretty poorly kept secret at the moment that the export charge for full containers is below cost for some commodities. Every time a full container of exports goes overseas, shipping companies lose money, but they do not lose quite as much as taking an empty container, so that is where it is. But shipping companies are bleeding and they really only survive on their inbound trade for Australia — that is not quite true, sorry — and on their refrigerated exports, reefer containers, so that is pretty important, except for reefer containers which are profitable.

The competition is very fierce. What that means is that when you have a ship-based cost which is a tonnage-based cost such as channel fees rather than a cargo-based cost which is directly related to the specific cargo — anchorage fees and those sorts of things, pilotage, towage, all ship-based costs — the shipping companies have very great difficulty actually passing those costs on because of the high level of competition. They have to absorb some of them in all cases. After a while they might be able to gradually build some of those costs into their baseline, but then if there is a step change, they will be back in losing again until that goes on. There is the real challenge: absorbing extra costs and being able to pass them on. If you go to a local transport company and you ask them to move a box from here to the other side of Melbourne, they will tell you, ‘This is how much we will do it for’, and there is plenty of competition in couriers.

Mr ONDARCHIE — The margins are getting skinnier.

Mr NAIRN — Ultimately they will get to the same situation, but there are not as many barriers to entry and it is not as big an investment to run a truck carrying boxes around Melbourne or a courier business as it is to put

five ships into a loop at \$100 million or \$200 million each per ship and then operating with crews et cetera. There are a lot of barriers to entry into the market, and it also means that people do not like leaving the market because they know coming back into the market is difficult, so they will take a few losses on the way through. I think the answer is: we fear increased costs which eat away again and make shipping not efficient. I am not going to digress anymore.

Mr ONDARCHIE — Was that advice to me, ‘Do not vote for this until you get all the information’? Is that what you are saying?

Mr NAIRN — I think I was asked that question earlier, and I would like to stick to my earlier answer — whatever it was — rather than make another one. Phil can make an answer, if he wishes, from his talking to the Victorian state committee.

Mr KELLY — They are on a knife edge here and they do not want to see prices generally escalate, and that is why we are pumping very hard for some measure of control over whoever purchases the port. It is as simple as that.

Mr ONDARCHIE — You would agree that there is a lot of information we do not have yet, though.

Mr KELLY — That is right, yes.

Mr NAIRN — He agrees with that, definitely, yes.

The CHAIR — We have a couple of minutes left, probably enough for one question from Ms Shing.

Ms SHING — I will try to put them all together and contain myself. Thanks, gentlemen, for outlining your submission today and for answering the questions that we have heard from you on already. I note, Rod, that in your introductory remarks you indicated that the key priority for you in relation to your role as a peak shipowner association and your members’ interests was to make sure that any change does not impose unnecessary costs, and you have then gone on to talk about your concerns relating to transparency. We have just heard from you, Phil, in relation to the desire not to see prices escalate. Given the economic regulatory regime that is an inherent part of this bill — that has been the subject of broad discussion — is in fact going to constitute the strongest regulatory regime in Australia, improving significantly on what we already have at the port of Melbourne, do you see that that level of strengthening around checks and balances will provide you with a better degree of transparency?

Mr NAIRN — I am encouraged by the comments that Mr Mulino gave us earlier about what was in the government’s paper and the details that are there. I am encouraged by the words that say ‘strengthening and broadening the scope’. I am worried about what falls between the cracks, as I have mentioned, but I am encouraged by it. I participated, as I said, last year in the ESC process and even though the ESC did not have any teeth, at least it was a process, which is sadly lacking from other states. I think Melbourne can put itself into the lead position if it makes sure that there are not things that fall through those cracks.

Let me take a read of this extra information here and make a more informed comment, but transparency is the key for us. From the state of Victoria point of view, you do not need to tell us, we just fit into it, what is there, but from the point of view of the Victorian people and the transparency, if you want support, I think the transparency has to be there, and this is the dichotomy that the government faces on how much to show your hand and how much not to show your hand.

Ms SHING — Going back to the answer that you gave I think to Mr Barber’s question, it might be useful again if you were to take that on notice and provide a further response to the DTF submission in that regard, in particular around the regulatory framework. Thank you, gentlemen.

Mr DRUM — Rod, just very quickly, I want to run through the capacity that you were talking about earlier because we have heard so many different views about where capacity at the port of Melbourne sits, 4.5, 5, 6.4, 7 and 8. What we understand is that capacity will be very important when it comes to the winning bidder setting their own capacity at the port of Melbourne in relation to the amount that they are prepared to pay for the lease. Should the capacity be set high to accommodate a high purchase price for the lease? Is there a worry for you that the port will have this 8 million or 8.5 million TEU capacity that may never be reached or will cause chaos

trying to reach that and then all of a sudden that prohibits any further investment in any other port due to the compensation that will need to be paid?

Mr NAIRN — From a shipping company point of view, I would like to see a stated capacity for the port which is the one that everyone is working to, rather than having it unknown. I am advised that the Treasurer has said that between 6.5 and 7.5 is the one that they are going to try to negotiate to. That was at yesterday's presentation.

Mr DRUM — Are you aware of the use it or lose it provisions that are going to be written into this lease agreement or this lease transaction?

Mr NAIRN — Sorry, no, I am not.

Mr DRUM — My understanding is that there is a high — —

Mr MULINO — This is a whole new line of questioning. Ms Shing was cut off after one question when it was her turn — —

Mr DRUM — Sure. Relax. I am relaxed; I do not mind. You are obviously not aware. I am happy to not ask the question.

The CHAIR — Mr Nairn and Mr Kelly, thank you very much for your evidence this afternoon. We would appreciate any further comments you would like to submit based on your opportunity to have a look at the government submission, when you are able to do that. We appreciate your submission today and your evidence this afternoon. Thank you very much for your time.

Witnesses withdrew.