

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Geelong — 24 September 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

Mr James Purcell

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Witness

Mr Peter Bettess, General Manager, Planning and Tourism, City of Greater Geelong.

The CHAIR — I declare open the Legislative Council Port of Melbourne Select Committee public hearing. This hearing is in relation to the inquiry into the proposed lease of the port of Melbourne. I request that all mobile telephones now be switched off. I welcome Mr Peter Bettess, the general manager for planning and tourism, City of Greater Geelong. Thank you for making yourself available this morning and also for the council's previous submission.

The committee does not require witnesses to be sworn but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law; however, any comments made outside of the hearing may not be so protected. All evidence is being recorded, and you will be provided with a proof copy of the transcript in the next couple of days for any corrections.

The committee has scheduled 45 minutes for this session. I invite you to make a brief opening statement if you wish, and after that the committee will proceed to questions.

Mr BETTESS — The City of Greater Geelong is pleased to be making this submission to the select committee. The council submission is reasonably short and touches on a few of the issues that are of relevance to the council. We have not engaged in all of the matters relating to the lease but in the things that are of interest to the council. First of all, the City of Greater Geelong supports the concept of setting a maximum limit as part of the lease arrangements for the port. It also understands why the state proposes effectively to warrant that capacity and have a regime if there is a competitive second international container port during that period.

The main thing that the council wishes to see is that there is not an impediment to the planning and development of that port, even though it would not become operational until the capacity of the port of Melbourne is reached. The planning of a second container port would be quite a lengthy exercise, and that could occur over maybe a 10-year or 20-year period. We would not want to see anything that precludes that occurring during the lease period, so it might not become operational but the planning and development could occur during that lease period.

The council favours Bay West as a location for that second container port and welcomes the government's proposal to have Infrastructure Victoria review Bay West versus Hastings. Certainly I can go into the reasons that Bay West is preferred, but it is in the submission and I am happy to do that in questions if necessary.

The council also draws attention to the fact that through the setting up of the Victorian Transport Fund it is important that some of that money not only goes to fixing level crossings and so on in Melbourne but also looks to address some of the capacity issues and the transport links between Geelong and Melbourne. It is highlighted in one of the Treasury briefing documents that the West Gate distributor is one of the potential projects for funding from that. Relieving the congestion on the West Gate and greater access to the port and to the area generally would be supported, and the Victorian Transport Fund should also look at some of those improvements that would serve regional areas as well as just the metropolitan area. I think that is all I need to say by way of opening introduction and I am happy to take any questions.

The CHAIR — Thank you. Firstly, you spoke about the council preference for Bay West. Is the transaction as currently proposed consistent with council expectations of how the lease of the port of Melbourne would be undertaken from the government and what that would mean for the development of Bay West? Are you seeing now through this proposal what you had expected to see when this proposal was put on the table by the now Premier?

Mr BETTESS — I think there are two issues. The first issue is the review of Bay West versus Hastings, and that is the process being undertaken through Infrastructure Victoria. The second issue is how the lease arrangements might impact on, as I said earlier, the planning and development of that port prior to the port of Melbourne reaching its designated capacity. The planning should occur in parallel with the port of Melbourne growing to that designated capacity.

The CHAIR — One of the things that the committee has heard in other evidence is the government's view that the capacity of the port of Melbourne is in the order of 7 to 8 million TEUs — 20-foot equivalent units. The port currently handles around 2.5 million TEUs, so effectively the view is that the capacity of the port is three

times its current use. Some of the evidence the committee has received from other witnesses is that you could not expect a second container port to operate, to have that investment, until the capacity of Melbourne had been exhausted, so effectively a tripling of the existing port of Melbourne before that, it has been suggested. Is that consistent with the city's view of the timing of where you would be comfortable with seeing a second port developed?

Mr BETTESS — I think that is really an issue for the market to sort out. It is not something that council would have a particular view on in terms of the timing. It is really a market question. As I said earlier, as long as the arrangements do not preclude the planning and the development of the second port, then there is not an issue with that.

The CHAIR — When you say 'development' — —

Mr BETTESS — As I understand the current proposal, there will not be an operating port. But obviously with the time to develop a port there is a very long lead time, both in the planning and also in the actual development. As long as all of that is able to occur up to the point of operation, then the proposal seems reasonable.

The CHAIR — One of the other points you touched on was the Victorian Transport Fund and the city's view that it is for projects wider than just the level crossings, it should not just be meant for the West Gate distributor project. Does council have a view as to other infrastructure projects in the Greater Geelong area that should be supported through the Victorian Transport Fund?

Mr BETTESS — Obviously access to the port of Geelong is an issue. At the moment both the road and rail access to the port in some areas are somewhat constrained, and certainly that is an area that would benefit from some investment from that fund. But I think the point that I was making earlier is really about the alternatives to the West Gate, because at the moment the West Gate effectively serves as a pinch point in transport into Melbourne, and anything that could be done to relieve that would be of benefit to this region.

Mr MULINO — Thank you for your evidence. One of the aspects of the regulatory regime around the establishment of a second port, or our understanding is that, based upon the DTF submission and also evidence we have heard to date, no payments would be made under that arrangement until it was actually in operation and receiving revenue. So it would allow for any activities in the planning and development and even construction of that second port in the lead-up to it, as necessary. Is that something that you support, that aspect of the clause which allows for that lead time?

Mr BETTESS — Yes, and that is I suppose the crux of our submission on that point, is that as long as all of that lead time is able to occur up until the port of Melbourne reaches that designated capacity, then that seems a reasonable proposition.

Mr MULINO — Your submission sets out some arguments, quite detailed arguments, as to why Bay West is a suitable site for the second port. It is fair to say it is a complicated issue, when and how that second port should be located. It is important, as I understand it, that Infrastructure Victoria work through that and have the time to work through it with you and other stakeholders to flesh out all of those arguments.

Mr BETTESS — Yes. I think the issue with Bay West is that it is really, if you like, a concept rather than a particular project. Certainly the council has not been privy to some of the work that has been done within government around what Bay West might be. We have a fair idea of what that work is, but we have not been privy to that work. I think that one of the important tasks that needs to be undertaken by Infrastructure Victoria is defining exactly what Bay West is or could be, and we would certainly support that process.

Mr MULINO — By the sounds of it you support a process which is quite comprehensive, that takes into account all the economic, social, environmental, and that works through it in a very systematic way.

Mr BETTESS — Yes. I think the other point to be made is the infrastructure that already exists in that western area between Werribee and Geelong, in that corridor. The council is committed to doing what we are calling the Avalon corridor study, which is looking at the potential of that area both in terms of having a break between Melbourne and Geelong — so you get a sense of leaving Melbourne, entering Geelong — but also looking at the other transport infrastructure that exists in that area with the current road network, the future

Outer Metropolitan Ring Road, the standard and broad gauge rail, the Geelong port, Avalon Airport. It all comes together in that vicinity. That study is looking at what is the potential of that area into the future.

Mr MULINO — So you would support the fact that this inquiry is being done from a position where the government does not come in then, you're talking about wanting to just have an expert look at the evidence.

Mr BETTESS — Through Infrastructure Victoria, yes. Yes, that is right.

Mr BARBER — Can you tell me which Geelong-based businesses are users of the port of Melbourne and what their view is of how it runs now and how it might run with a private operator?

Mr BETTESS — No, that is not something that I can comment on.

Mr BARBER — In terms of your current port, the port of Geelong, what can you tell us about the limits to capacity and throughput that operate in that port? Because in some ways there are some products that could go out to either port, and the big question really here is port capacity, I think, not just of the port of Melbourne but of other substitutable ports.

Mr BETTESS — The council, in conjunction with the port and a number of other parties, a couple of years ago did a comprehensive study of the future capacity of the port of Geelong. That was predicated on the port of Geelong remaining a break bulk port and not a container port. That study — which if the committee would like it, I could certainly give it to you — spoke about the future capacity of the port and the opportunities for growth in the trade that can go through that port. That is completely independent of what might happen at the port of Melbourne or at Bay West or a port at Hastings.

Mr BARBER — Is it completely independent?

Mr BETTESS — Yes, it is, because you are talking about break bulk cargoes now. Unless you are also going to also have break bulk cargoes going out of the Melbourne port then, yes, it is independent. Certainly it was predicated on the options for the future of Geelong with the infrastructure and the trade that occurs there, rather than a competitive second container port. But Bay West obviously brings that into the mix.

Mr PURCELL — Thank you for the presentation. Just in regard to the planning side of it, if Bay West was the second port, would you see the Geelong planning authority or the council being responsible, or do you think it would be through Infrastructure Victoria?

Mr BETTESS — As I understand it, Infrastructure Victoria's role would just be doing the evaluation. I think it would be a matter for the government and the council to work through as to who or which organisation was the appropriate body to carry out the planning. Whether it was the Geelong authority, the council or even some other organisation, that would be determined at the time, because it would be a huge task. There is a range of environmental issues that would need to be looked at as well as the engineering and infrastructure-type issues.

Mr PURCELL — I understand there would be a lot planning outside of the port itself, for access et cetera, which would be required, as distinct from planning the port.

Mr BETTESS — Yes.

Mr PURCELL — On page 3 of your submission under 'Any other relevant matters', in the final paragraph it says the City of Greater Geelong:

... would welcome any initiatives to invest in infrastructure in regional areas, particularly around the port of Geelong which may face flow-on effects from the lease of the port ...

What parts, which particular bits of infrastructure do you think that would be?

Mr BETTESS — It is basically improving the rail and road connections to the port.

Mr PURCELL — The port of Geelong?

Mr BETTESS — Yes, the port of Geelong.

Mr PURCELL — That leads me on to the next one, my final question. You mentioned that you thought the western distributor, with the increased capacity and increased utilisation of the port of Melbourne, was the answer. What about rail? Do you not see that as having an equal if not bigger impact than the western distributor?

Mr BETTESS — Yes, the rail is equally as important. With the western distributor, it was not so much that we were favouring that particular option but that the relieving of congestion on the West Gate Bridge is the primary objective and anything, whether it is road or rail, that could be done to relieve that would be supported, yes.

Mr ONDARCHIE — Good morning, Peter. Thanks for having us at your place today. When I talk to the mayor and others down here in Geelong, the biggest issue they are talking about is jobs — jobs, jobs and jobs; Ford, Target, Alcoa, and I am looking at a list of companies that are doing it tough down here.

Last year, on 5 March, the Premier, who was then the opposition leader, told Neil Mitchell that he thought Bay West was a much better option for a container port. He said to Neil:

You and I were down in the great city of Geelong last week and if ever there was a region that needed an industry, that needed a real kick along, a Bay West port option; the freight and logistic potential, the jobs, jobs and more jobs that ... come from that is significant; in fact it's huge and that's why we favour the Bay West option ...

On 28 May this year the Premier spoke to Neil Mitchell again about the second container port. He said:

That's a very big decision, and it's not one that need to be made for quite a long time'.

How does the City of Greater Geelong feel about this dichotomy — about saying one thing before the election and now something different about a second container port for Melbourne?

Mr BETTESS — I see that as a political question, rather than something that I think I should be answering. As I said earlier, the process that has been set up with Infrastructure Victoria reviewing Bay West is the process that we would support.

Mr ONDARCHIE — Was council doing some preliminary work about Bay West's arrival?

Mr BETTESS — Could you repeat the question?

Mr ONDARCHIE — On the back of the then opposition leader's comments about Bay West, were council then doing some preparatory work on the potential arrival of Bay West?

Mr BETTESS — We have done some thinking about the future of that Avalon corridor, but in terms of the future of Bay West, because as I have said earlier Bay West is really only a concept and not a project, we have not been privy to some of the thinking that has gone on within government about what Bay West might be or in fact where it might be.

Mr ONDARCHIE — I want to touch on your point about supporting the capacity. This committee was told by the Department of Treasury and Finance and the Port of Melbourne Corporation that they have revised up the capacity from 5.3 million TEUs to about 7 or 8 million TEUs, and I think the proposition that is being put by the government is based on the premise to get about 7 or 8 million TEUs. But Victoria University told us that 8 million TEUs is far too high. When you say you support the capacity limit, what limit are you talking about?

Mr BETTESS — It would be the limit that is determined by the market that bids for the lease, because the market is in the best position to determine what that capacity might be.

Mr ONDARCHIE — Therefore it suggests that the limits being espoused by the government may be just being put to the market in order to increase the product.

Mr BETTESS — Once again, I do not have a comment on — —

Mr MULINO — Point of order, Chair, just on accuracy, the DTF's submission — —

The CHAIR — Point of order on what — —

Mr MULINO — It is a misrepresentation, I think — —

The CHAIR — That is not a point of order.

Mr MULINO — I just think it is dangerous to put leading questions to a witness. He is misrepresenting the facts.

The CHAIR — You will have an opportunity to put some follow-up questions.

Mr ONDARCHIE — Chair, on the point of order, I was — —

Ms SHING — The Chair has already determined that there was not a point of order, so we just need to move on — —

The CHAIR — It was not a point of order, so proceed with your question, Mr Ondarchie.

Mr ONDARCHIE — Just finally, Peter, the City of Greater Geelong have done a lot of work around preparation for a number of promises that have been made by the government. Given that jobs is the big focus, does the mayor or do the councillors of Geelong whom you speak on behalf of today feel any disappointment about the fact that this Bay West project now seems off the table?

Ms SHING — Point of order, you asking for an opinion about how they feel. Perhaps you could rephrase, Mr Ondarchie.

Mr ONDARCHIE — If it makes you happy, sure. I will.

Ms SHING — I would love it if you rephrased it.

Mr ONDARCHIE — Has the council — the mayor or the councillors — expressed any disappointment about the fact that Bay West was a proposition put to them by the government when in opposition and it now seems to be off the table?

Ms SHING — Point of order, it is not off the table.

The CHAIR — That is for the witness to respond as to the council — —

Mr BETTESS — I cannot respond to the first one, because once again that is a political question, but certainly the submission supports Bay West being part of the Infrastructure Victoria review, so it is not off the table. If it was not part of that process, there would certainly be a concern, but the government has said that it would be referred to Infrastructure Victoria, and that is the appropriate process to have the relative merits of the two second container ports be evaluated.

Mr ONDARCHIE — So councillors have not expressed any disappointment then about Bay West?

Mr BETTESS — I am not in a position to answer that.

Ms TIERNEY — Good morning, Peter. To follow up on the general theme that Mr Ondarchie has introduced, I understand that the Treasurer has been quite proactive in coming down to Geelong and having meetings and forums to talk about the government's approach to the port of Melbourne lease. I think, consistent with what you are saying, there has been a general acceptance by a range of people, including the transport pillar, which does not just include councillors but also industry stakeholders; there is a general acceptance that the approach that the government is taking in relation to the port of Melbourne lease is understandable and appropriate, but of course we also, as Geelong people, want to see Bay West win out of the Infrastructure Victoria process as well. Is that a reasonable proposition to put?

Mr BETTESS — Yes, and in fact the Treasurer, when he has come down here, has made it quite clear that his preference is for Bay West.

Ms TIERNEY — Thank you.

Mr DRUM — Peter, are you aware that Tim Pallas is on the record as saying that:

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

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

Mr BETTESS — No, I am not aware of that.

Ms SHING — Could we get a source for that quote?

Mr DRUM — That is on the record.

Ms SHING — On what day?

Mr DRUM — It is on the record when he was in opposition — no, actually, when they were in government — —

Ms SHING — What is your source, Mr Drum?

Mr DRUM — I am happy to give it to you, but it is on the record. Are you concerned about this uncertainty surrounding the capacity of the lease arrangements with the port of Melbourne, because effectively everything is going to be based around — —

Any second container port to be built and developed anywhere in the state is all going to be contingent upon when the existing port of Melbourne reaches its capacity, and yet this committee has heard that that capacity is somewhere between 5.3 and 8.5 million TEUs. That is the variance. Considering that we are currently sitting at about 2.3, are you talking double what we currently have, are you talking triple or more than triple what we currently have? There is this incredible variance in views as to what is capacity at the port of Melbourne. Then connected to that we have this monopoly lease that is on the table and a compensation arrangement that forbids any government from getting involved in the development of a second port and the operation of a second port until that capacity is reached.

Our understanding is that a lessee is going to come along and arrange a capacity level with the government, 'We'll pick a figure of 8 million TEUs, and we'll pay you X amount — of X billion dollars — for X capacity', and yet we have experts saying some of those high capacities can never ever be reached. Do you see the situation that we find ourselves in — that someone may lease this port at a capacity level that will never be reached and therefore put in place this compensation needed to be paid for future development of a port and future operation of a second container port?

Mr BETTESS — Yes. I heard you say 'development and operation of the second container port'. Part of my submission was that that development should be able to occur within the period up until that capacity is reached, so it would only be the operation.

Mr DRUM — So who would develop a second port?

Mr BETTESS — I will answer the first question first. The issue around the capacity, as I stated earlier, is really a question for the market. As I understand it, the 5.3 was part of the work that was done by KPMG, and in that report, it was talking about how the 5.3 could be achieved with relatively little investment in the current port, but if you were to go beyond that, then there was infrastructure required to support that additional capacity. I think it is for the market to look at what those infrastructure requirements might be and to consider what the ultimate capacity could be within the commercial terms of what the bidders are proposing.

Mr DRUM — Our evidence would suggest that the 5.3 is a sheer quayside metreage capacity, so the limit of the port of Melbourne will be bound by the pure metreage of the quayside that can be developed. Considering they have world's best practice behind the scenes, they can max out at around 5.3. We are a little bit concerned that the department of Treasury since the election has somehow or other changed capacity from around 5.5 million to over 7 million TEUs — to between 7 and 8 million. So we are just not quite sure how this new figure has been arrived at when we have independent evidence to suggest it is much lower. I suppose our big worry is the fact that the monopoly in the compensation clause is all hinged upon the port of Melbourne reaching this capacity, and we have experts telling us that it will never get anywhere near the figures that have been bandied about. We can see ourselves being in this total stage of nowhere, unable to develop a second port or unable to operate a second port, and unable to reach this mythical capacity that has somehow or other found its way into the lease. That is where — —

Mr MULINO — Is this a question?

Mr DRUM — I am putting the proposition to the witness.

Members interjecting.

Mr DRUM — Does that concern you, effectively as a stakeholder, if you believe a second port needs to be developed?

Mr BETTESS — Once again, it comes back to what the market sees as the capacity, and it comes back to those issues about the infrastructure that is required to support whatever level is set and whether that is economically viable.

Ms SHING — Peter, thanks for your contribution this morning and for answering questions of the committee thus far. The question of capacity has come up on numerous occasions. I am just wondering whether you are aware, in fact, that the port did not revise TEUs up and rather that the previous government had capped it and that that is set out in positions in reports of 2006 and 2009?

Mr BETTESS — I am not aware of that.

Ms SHING — The port itself has not changed its position in relation to capacity, but I just want to get from you a sense of the impact, or the extent to which the impact has been considered, around the changing spectrum of capacity as it might vary based on those estimates that have been put by government since the 2006 and 2009 reports.

Mr BETTESS — Yes, I think one of the issues that the submission addresses is the supporting infrastructure that is required as a result of that capacity. It draws attention to making sure, either in the lease arrangements or in the broader government planning, that those capacity issues and access issues are addressed to be able to cater for that capacity.

Ms SHING — I would also like to just ask you to compare and contrast between the duration. I note that at page 2 of your submission you referred, in general terms, to the duration and structure of the proposed lease. I am just looking therefore for your position on the extent to which a change from 40 years to 50 years in the duration of the lease will make a material impact, if any, to the council's position, and the extent to which the change to the proposed lease structure proposed by the former government and that being proposed now by this proposed lease will change your position in relation to a lease?

Mr BETTESS — Once again, we have made the submission based on what we understand to be the proposal by the government, and what is being proposed is reasonable.

Ms SHING — Finally, I would like to just ask you about the extent to which community engagement has happened and, just to pick up on Mr Barber's point, about the position in relation to the proposed lease of the port of Melbourne as it has been communicated to council officers.

Mr BETTESS — The community engagement has been through the G21 transport pillar, and I have also been in meetings with Regional Cities Victoria where the Treasurer has addressed that group. The Treasurer has also come down to Geelong on two occasions to meet with local people to personally address the concerns.

Ms SHING — And has the council had any feedback in relation to the way in which those concerns have been addressed?

Mr BETTESS — Yes.

Ms SHING — And what has that feedback been?

Mr BETTESS — It has been positive.

Ms SHING — Thank you. Finally, on the issue of quotes being put to you by Mr Ondarchie, who referred to the now Premier making statements to Neil Mitchell about the primacy of Bay West as the preference, and also comments that Mr Drum has put to you about Mr Pallas's views on the characteristics of the port of Hastings location, are you aware that the decision to be taken about where any second container port should go is a

matter that has been invited to be referred to Infrastructure Victoria for its own independent decision in that regard?

Mr BETTESS — Yes.

Ms SHING — Thank you very much. That is the end of my questioning.

Mr ONDARCHIE — Peter, you were just telling Ms Shing that the Treasurer has found his way to Geelong twice and has addressed concerns by the locals around the Bay West project. Your view is that he answered those satisfactorily.

Mr BETTESS — Yes.

Mr ONDARCHIE — I find it curious that the locals had some views about the Bay West project when in answer to my earlier question, the councils did not have that.

Mr BETTESS — No. The view was that there was a concern that Bay West was going off the table, if you like, and the Treasurer was able to reassure that Infrastructure Victoria would be looking at the Bay West option.

Mr ONDARCHIE — Yet in your submission, when you talked about Bay West presenting a significant opportunity for much-needed employment in Geelong, given that the government are proposing a 70-year lease — —

Ms SHING — Fifty-year lease, for the benefit of Mr Ondarchie.

Mr ONDARCHIE — For the benefit of the government, 50 plus 20 equals 70.

Members interjecting.

Mr ONDARCHIE — Given that they are going to offer to the market a 70-year lease —

Ms SHING — It is a 50-year lease, Mr Ondarchie.

Mr ONDARCHIE — that will pay compensation should a second container port ever be built in Geelong, how do you feel about this potential lack of transition of a Bay West project and the effect on Geelong? Do you think you will ever see it?

Mr BETTESS — That will be a matter for Infrastructure Victoria to sort through.

Mr ONDARCHIE — I am asking just for Geelong's view.

Mr BETTESS — The City of Greater Geelong's view is that it supports a Bay West option, but as I said earlier in the evidence, Bay West is more of a concept than a project. It has a number of issues that need to be sorted through, and the process that has been put in train for Infrastructure Victoria to review what Bay West is or might be or whether it is the site for the second container port is a process that is supported.

Mr ONDARCHIE — Well, these new jobs are at least 70 years away.

Members interjecting.

Mr MULINO — Is Mr Ondarchie taking your questions?

Members interjecting.

Mr MULINO — One of the elements of the transaction which has been discussed in evidence today is the strengthening of the economic regulation of the proposed lease environment. Do you support a more rigorous and comprehensive economic regulation for the activities of the port?

Mr BETTESS — Yes, particularly, as is addressed in the submission, with the shared channel arrangements and issues like that.

Mr MULINO — And are you aware of what has been proposed following the lease, with other agencies to spend the revenues of the port, in terms of economic regulation and the Essential Services Commission?

Mr BETTESS — Yes, I was not aware of that particular percentage, but I am aware that it is substantial.

Mr MULINO — And that should put downward pressure on costs for activities in Geelong, as well as in the northern end of the state.

Mr BETTESS — Yes.

The CHAIR — Thank you for your evidence this morning and for the council's submission. We appreciate your attendance, and we will have a draft transcript for you to make corrections to in the next couple of days. Thank you very much.

Mr BETTESS — Thank you.

Witness withdrew.