

# CORRECTED VERSION

## 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 Craig Ondarchie

Mr Daniel Mulino — Deputy Chair

Mr James Purcell

Mr Greg Barber

Ms Harriet Shing

Mr Damian Drum

Ms Gayle Tierney

#### Staff

Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

#### Witness

Mr Michael Dowling, Riordan Grain Services.

**The CHAIR** — We will reconvene with Michael Dowling from Riordan Grain Services. Mr Dowling, thank you for your submission on behalf of Riordan, and the copy of your correspondence to the Minister for Ports with respect to Riordan's views. We have allowed 45 minutes for this session. I invite you to make an opening statement if you wish, and then the committee members will have questions.

**Mr DOWLING** — Thank you, Mr Chairman. I have given the secretary a copy of my introductory comments, so hopefully you have got those, or you will get those in due course. Welcome to Geelong. I also apologise for my colleague, Jim Riordan, who is away. His best excuse was to be halfway up the Kokoda Trail at this time this morning, so I think he is a bit out of contact. But I value my business and friendship with him as well.

My introductory comment, Mr Chairman, is straight to the point. I am convinced that the long-term interests of the City of Melbourne, Victorian ports, the state of Victoria are not at all well served by the government's entering into a long-term lease for the existing port of Melbourne. In my submission today, both previously in writing and also the oral submission that I make today, and hopefully in the answers that I can provide to questions, I will very much attempt to answer the first four terms of reference. I will comment about the structure and duration of the proposed lease. I will comment on the potential impacts of the proposed lease on the development of a second container port.

I might break from there. I think that we must always bear in mind that the port of Melbourne is not just a container port. It is a break bulk port. It is also a bulk port at Appleton Dock. It has a chemical facility. There are many other aspects than just the container aspect of the port. I would like to comment quite extensively on the impacts to the environment of what is proposed, and also what I propose as an alternative. Also I think I am well positioned to comment on the competitiveness of the supply chain, although I have not done detailed studies, but I understand the basics of it.

I make this submission in conjunction with Riordan Grain Services on the basis that I have had extensive experience in the industry. I was the deputy chairman of the Victorian Channels Authority, and I was the founding chairman of the Victorian Regional Channels Authority. Over a 12-year period I served the state of Victoria, governments of all persuasions, in those capacities. The current Treasurer wrote to me when I finally retired — which is code for not being reappointed — thanking me for assisting the state of Victoria in the work that I have done.

I have been a director of international shipping companies, so I understand from the perspective of somebody who actually puts the ships to sea and loads cargo and unloads cargo. I am shareholder in and adviser to Riordan Grain Services Pty Ltd, which operates a grain and transport business, based at Lara but in other locations throughout Australia. We send 10 000 containers a year to the port of Melbourne. We know what happens at that port. We know as a user of that port what the implications are. Also I am a shareholder and a director of a company that is building two very large sheds in Corio to receive and store and distribute bulk agricultural commodities — fertiliser and the like.

I would also add that I am not a member of any political party. No-one is paying me to be here. I am just a concerned citizen who is drawing on his past professional experience, and also someone who works in the industry who is able to make observations. Looking through the various other submissions, most people do not understand the industry and do not understand the questions and issues which are at stake. I modestly suggest, Mr Chairman, that I hopefully will be able to make a contribution.

I think we start by looking at our wonderful state of Victoria, where people reside, where people conduct their business. If you had a blank canvas for Victoria, you would not put the port of Melbourne where it is today. The proposal in my view to enter into a long-term lease ensures that it stays there for the next 50 years. I do not think that is appropriate.

The limitations the port of Melbourne has are: it is effectively in the middle of the City of Melbourne, which has very substantial negative effects on the operation of the City of Melbourne and the surrounding suburbs, particularly the western areas of Melbourne; the quay length in the port of Melbourne is limited; Swanson Dock is too narrow; the turning basin or the swing basin is too small; and there are real air draught issues associated with the West Gate Bridge. It has absolutely outlived its relevance as a location. If you look back at the history, way back when Melbourne was first started, near where the Old Treasury building is in Flinders Street, that is where the port was. It gradually moved further down, and at times they have gone to Webb Dock, because that

seemed to be more appropriate. But really, except for perhaps some of the rivers in China, in Shanghai in particular, most of the ports are not close to cities, and most of the ports are not up a river.

The road network is extremely restricted in and around Melbourne, and rail is practically non-existent. Dynon Road is just a disaster, and there are real issues that cannot be addressed by continuing the port at its current location. Due to the volume of traffic that serves that port, and we are looking at 2.3 million TEUs, if we looked at doubling that or even tripling that, we are faced with just a major reinforcement and concentration of truck issues and transport logistic problems should the port remain in its current location. Of course the port as it is places great demands on all of the infrastructure within the port of Melbourne and the Melbourne environs. All of the roads and drains and all of the other aspects of the town are really stretched where the port is. In addition, the port of Melbourne, and I am sure we have got to handle this sensibly, there are real concerns with the area where the West Gate Bridge is. There is major infrastructure there associated with sewerage systems, water systems, telecommunication systems. If you wanted something to really mess the economy of Victoria up, then it is a very, very sensitive issue. That is another reason why I do not think the port of Melbourne should be there.

I am hoping to come to a vision and a solution to the situation, but just to make a few other comments. If the port of Melbourne was not there, you would have an opportunity for the port of Melbourne to utilise the Maribyrnong and Yarra rivers, to remove over time all of the port infrastructure in Melbourne, to lead to Melbourne embracing the bay as a beautiful area. Last week I was in Sydney and I went to the Barangaroo area. It is just fantastic. The city of Sydney has embraced its waterfront. It has got rid of old wharves, old ports and it has embraced Darling Harbour and the Rocks area — absolutely fantastic. We might not be able to do the same, but we ought to have that as a vision going forward.

If the port was not operating within the City of Melbourne — and it is a slight liberal use of words, but it really is very cheek by jowl with the City of Melbourne — if it was not there, the traffic congestion associated with containers would be completely removed. Therefore the stresses on the West Gate Bridge, the impact on living in places like Spotswood and Footscray and West Footscray, would be so much better in those areas if the trucks were not through that area. The only way you are going to do that is not by doubling or tripling the container capacity in Melbourne, it is by taking the port out of Melbourne. With the infrastructure which exists, its life would be extended.

What is my vision? How do you take the port out of Melbourne? It is a bit like taking the Melbourne Football Club out of the league. How do you take the port out of Melbourne? My view is detailed in my letter to the Honourable Luke Donnellan following a seminar that I went to at which he spoke, which really engendered my interest in this subject yet again. In that letter to the Honourable Luke Donnellan I criticised the previous government. I had meetings with the previous government — the Premier, the minister for transport, the Minister for Ports — and said Western Port was the most stupid idea I had ever heard because it was a totally inappropriate location. I am not picking on anybody. Perhaps I am picking on everybody. But I certainly indicated in that submission, and in previously made submissions, that that is just a silly idea and should not be considered.

What is the alternative? My view is there should be a new port established in the Avalon-Point Wilson area. There is an existing port there now, limited in its use. It is owned by the Department of Defence and it is used for armaments, but I do not think it has been used for about 20 years. But there is an existing port and there has been some dredging conducted there.

My vision is that the government should call for international expressions of interest or tenders to establish a brand-new turnkey port at Point Wilson. The benefits of that location are that it is away from the city. It can be subject to operation outside of normal hours — the first truck might go there at 10 at night and the last truck has got to be out there by 5 in the morning, so you take all the container trucks off the roads of Melbourne. You have got a large area of land. You are next to a port. Geelong Road is, I think, probably the biggest or busiest road in Melbourne; it is there. You have access to the two rail gauges just to the north of that area of land, and the outer Western Ring Road is going to come in there. It is the perfect location to establish a new port.

And I would submit, Mr Chairman, that it can be built at no cost to the state of Victoria, because what you would say is, 'Let's build this port. This is what we want. Come in with your concepts and come in with your drawings. We will give you a 50-year lease on it, but then it returns to the Crown'. In doing that we could have a purpose-built port making maximum use of rail, which cannot be done in Melbourne — there is no rail access

to Webb Dock, Dynon Road is a disaster. We are always trying to retrofit stuff which is not right, but a brand-new port would serve Victoria extremely well.

One of the great advantages is its relative remoteness from residential and urban areas, but at the same time it is situated on the western side of Melbourne where much of the port activity is generated. It is located near to Geelong, and it is in the area where all the transport from the Riverina down and coming from the west of Victoria can be easily accessed. Also, that port could operate not only as a container facility but also could be a bulk facility and break bulk facility and also take up perhaps the chemical storage that happens at Coode Island. The whole of Melbourne would be cleared of its problems, and Geelong is not going to pick them up. There is going to be a new facility, one which would suit Victoria very well.

But my most important submission in this, Mr Chairman, is that in addition to that we establish a major intermodal facility nearby. An intermodal facility in this context is where containers can come from Western Australia, down from Darwin and Brisbane, and back up to those areas so that we have got established the major intermodal facility for Australia on our doorstep. That would create employment, that would create economic activity. That would really assist, and it would also assist our Tasmanian cousins in their freight activities as well. Getting all of that storage, all of that consolidation that they try to put in Melbourne, getting it onto a greenfield site, and in doing that the size of ships that have to come into the heads would be reduced.

Whilst it could be argued as to the economic viability of unloading a container in Brisbane and transshipping it by rail, the reality is a lot of the ships that come around the port dropping containers call into Brisbane, call into Sydney, call into Melbourne and eventually they drop off in Adelaide or eventually they drop it, maybe a month later. If we had a major intermodal facility with proper infrastructure with rail — and there would have to be a better link from our area of rail at Avalon up to, say, Donnybrook to link in, and there would have to be better links back through Queensland to connect various ports there.

But we could have a major intermodal facility, a brand-new port, and it need not cost the state of Victoria very much. The gains would be enormous in terms of Melbourne would become a much more livable city. Also in time, when leases expire and when other port operators leave the port of Melbourne where it is currently located, the whole of the city can be joined to the bay. All of the hinterlands can be made into residential areas, recreational interests, sporting activities — whatever the Maribyrnong and Yarra rivers can be chosen for. Melbourne would be a very much larger city, a more livable city, and we would have a much better port.

Also, I would add, Mr Chairman, that it seems to me the height of absurdity that we receive money for a long-term lease of the port in order to free up our transport network in eastern and south-eastern parts of Melbourne but we promise and guarantee the people who live in the western suburbs of Melbourne that for the next 50 years they will have congested roads. Why spend money to lease the port out to free up some movements of traffic in some parts of Melbourne and guarantee that it is going to be totally congested? It is congested now. You have got to move things through that area. If it is going to be two or three times more, it is going to be unliveable in those parts of Melbourne. I think if the people who live in that area were made aware of it, they would have enormous concerns with this proposal put forward by the government and the lack of vision shown by it. In addressing the terms of reference, which I guess I am here to do, it should not be entered into. Therefore all the questions of the time or the duration or the capacity are, in my view, irrelevant questions.

The other fair point I would like to make is regardless of what those terms and conditions are, there will not be a second port built in Port Phillip Bay whilst this arrangement is in place. The reason for that is no shipping company will go to two ports in the same area of land. They will go to the one where there is the business activity. They will not go to a second port because it is uneconomical. They have got to go quickly along the coast, unload, move back and do it all again. A potential second operator will say, 'I've got this big brother in Melbourne who's dominating the volumes, who's got capacity. Why would I try and spend money to build anything that would be appropriate?'. Even if they did in 50 years time towards the end of the lease, it would be a compromise because you have still got big brother dominating the marketplace. No company, whether local or international or a consortium, would ever build the second port, notwithstanding that I think Bay West — Point Wilson/Avalon — is exactly the place to do it.

My submission to this panel is that if the government enters into this long-term lease, there will not be another chance within 50 years for anything else to be done, because commerce will judge that it is not the place to go. I speak as someone who has been involved in the shipping industry. Who else has made submissions to you who has actually been involved in that and had that experience? Ports are big and busy places, so if we can get that

out of Melbourne and put it towards our area, it will free up Melbourne. We will be able to design a port which has curfews in terms of the traffic coming in and out. It can use proper rail infrastructure. Whilst I admire what the Port of Melbourne has done to try to obtain efficiencies at Swanson Dock, it is very difficult because the rail infrastructure behind that is totally inadequate. Given the capacities of Melbourne, it is going to be impossible to do it properly.

The supply chain arrangements — and I am happy to answer your questions on it — would be majorly enhanced by having a new and second port away from urban infrastructure. We take 10 000 containers to Melbourne. We understand the difficulties of congestion in Melbourne, the need to drop them at one location and for them to be stored in the North Melbourne and Kensington area and then to be transhipped. If we had a port at Bay West, it could go straight to that port. We know what time. We would not have train stops because we would utilise the land to have a rail system. Instead of having trucks coming in and out, they would drop that. The rails would feed the shipping requirements on two-way rail systems. That would make it much more efficient.

I say in conclusion that the port of Melbourne currently has difficulties, and they are going to be even greater if the port gets bigger. No-one else will build a second port, which will be a major missed opportunity. I would encourage the committee to recommend in their report not to enter into a new lease, give immediate attention to establishing a new authority to investigate this, work with Infrastructure Victoria but for them to take the drive, ensure that the existing port of Melbourne is progressively closed down — it cannot be done overnight; it might be a 10 or 15-year process — when the leases there and to make the necessary investment in rail infrastructure to ensure that a new port in this area operates satisfactorily.

I would encourage you — you have received lots of reports, you get lots of people speaking to you about things — but use some real vision to say, ‘This is something that will change Victoria forever as a place to live, particularly Melbourne as a place to live, a state to do business’. If we go down this track, Melbourne and commerce and shipping is just put on a time clock which we will not be able to turn off for 50 years. I am pretty passionate about that.

**The CHAIR** — Mr Dowling, thank you for your opening statement. I understand that you are time constrained this morning to a 10.30 a.m. finish. If I could also say to the committee members we have an issue with the PA system, so if you can speak up through your questions as well.

Mr Dowling, you articulated an alternative vision for port infrastructure for Melbourne, which has actually broadened the evidence that the committee has heard to date. Most of the evidence to date has been, and understandably, around the port of Melbourne. You have raised the issue effectively of opportunity cost in continuing to have the port of Melbourne at the current site when that site can be used for other purposes. One of the committee’s considerations is whether this proposed lease balances long-term interests with short-term interests. Throwing that issue of opportunity cost on the table, accepting that you do not support the concept of the lease at all, what is your view as to whether that balance has been appropriately struck between long-term interests and short-term interests?

**Mr DOWLING** — I basically do not feel that the previous government and this government have been at all well advised in relation to port matters. Decisions that the previous government wanted to make and the proposals before the Parliament at the moment are just ill considered. They are so ill considered that to sort of weigh up short-term and long-term considerations, is a bit like saying it is hopeless. It is just not worthy of detailed consideration, because they are the wrong decisions.

Certainly for my submission, I have not gone down and looked at all the leases and how long the current leases are and the volumes of containers and additional containers. I have not done that. If you like, my background is as a chartered accountant. I work and assist a business that is involved in this, and I have a background in port and shipping matters. Since I am a private citizen, I have not done that work. But what I would like to do is open people’s eyes to the work that should be done, and then I think for the answers to those long and tortured trade-offs and economic return, someone else could do that detailed study. I am happy to help, but I have not done that detailed study.

**The CHAIR** — Can I ask you also about your comment about the second port and the issue of shipping lines not stopping at multiple ports in one city. In your experience, obviously that is the case with individual ships, but would a shipping line split its operation between two ports on separate vessels, one vessel calling at

port A and another vessel calling at port B? Is there any prospect for two container ports operating simultaneously in Melbourne, or in your view when the capacity constraint is reached, whenever that is, it is going to be a case of port of Melbourne being switched off as the second port is switched on?

**Mr DOWLING** — The area of shipping that I worked in has mainly been in bulk cargoes, but I do have an understanding of certain aspects of container operation. The way it works is that every ship tries to be fully laden and unloaded and loaded as much as it possibly can. It is not at all economically viable to say, 'I think I might try and get wedged in 5 per cent of the trade'. My agents and my representatives are trying to get all the trade. I have got competitors either side of Swanson Dock at the moment. You have to make sure that you only go to one port. You have got to unload certain things here because that is the agent that wants that. You have got a customer here that wants to load at the same port. You cannot say, 'I'll unload half here and then I'll go down to Point Wilson and unload the other half and then I'll go back'.

**The CHAIR** — On a single ship.

**Mr DOWLING** — On a single ship.

**The CHAIR** — But with a line operating multiple ships would one go to Point Wilson, one go to Melbourne?

**Mr DOWLING** — I do not think that is practical. I just do not think it is practical, particularly when somebody is so entrenched in what is involved. The container interchange is only one aspect of a much bigger picture. Where is that container going? Is it going to Dandenong or is it going to Wodonga or wherever it might be? Where is the consolidation? Where is it going to be unpacked? It is all that other infrastructure that supports it, rather than just the actual port of disembarking of the cargo. One of my views is if you establish one port at Point Wilson, then in time you will have all the freight consolidators and freight forwarders and all those people following where the port operation is. Once again, you are freeing up Melbourne from that congestion and that activity. Container is just one link in a long supply chain, and it has to take into account what the commodities are and where the commodities come from.

We pack grain in containers — interesting. It is only in the last five years or so it has been a development, mainly because containers were going out empty. We pack grain in containers and they are actually sent to places like Vietnam, where brewers get a container load of barley and make beer or whatever it might be. You have to make sure that supply chain is as short as possible, as quick as possible, and as efficient as possible, because you are trading internationally. When we make transactions there is often as little as \$2 or \$3 a tonne in it. If you have supply chain bottlenecks or extra costs, we are out of the market. I am sorry, Mr Chairman, I do not think it is practical. But others might expand more fully.

**The CHAIR** — Thank you, Mr Dowling. I am conscious of the time, so I will pass over to the Deputy Chair.

**Mr MULINO** — I just want to clarify, so both the government and the opposition, when they were the government, went to the last election with a policy of leasing the port, and there were some differences between them. But I just want to confirm, you are basically opposed to both of those approaches?

**Mr DOWLING** — I do not think I will get a Christmas card from anybody this year, but I am opposed to both. That is my view.

**Mr MULINO** — You are approaching it entirely differently.

**Mr DOWLING** — Yes, trying to provide you with a different vision to it.

**Mr MULINO** — Do you support Infrastructure Victoria, a newly established body set up to look at things from a broader, holistic perspective, looking at where a second port should be?

**Mr DOWLING** — Mr Deputy Chairman, I think the horse will have bolted on this matter by then. I do not think that any work that Infrastructure Victoria would do is going to be practical or able to be implemented. If the port of Melbourne is leased out on a long-term lease, then I think, with respect, the work that Infrastructure Victoria would do is irrelevant, because there is not going to be another port built for another 50 years, so why do the study?

**Mr MULINO** — You have stated you do not support a second port being established at Hastings.

**Mr DOWLING** — Absolutely.

**Mr MULINO** — What are the key reasons for that?

**Mr DOWLING** — About 4 per cent of the container traffic through the port of Melbourne is from Gippsland. Whilst the water is deep, the infrastructure between the water and land, it is very sensitive land. The rail system is non-existent, and to make it work you have got to retrofit a rail system through metropolitan Melbourne in order to access the western part of Melbourne, where all the activity occurs. I think it is absolutely ridiculous. I accept that it has deeper water, but even though it has deeper water, it has much more turbulent water, and it is far more exposed to the ocean fluctuations, waves and so on. It is just an entirely inappropriate place for a port to be. There is just not enough industry, there is not enough commerce. The only thing it has is the deep water. But there still would have to be extensive dredging there, and you may as well do the dredging that might be required at Point Wilson, and then you do not have some of the logistic problems. So it is the wrong location, it is a silly idea, it uses up too much. Also, the money to do that would very much have to come from the taxpayers of Victoria, where you can develop Point Wilson in my view for no cost at all to the state of Victoria.

**Mr BARBER** — You are in the business of delivering loaded containers to port, but a lot of the containers of course, most of the containers coming in, are the full ones, full of consumer goods that then get distributed to warehouses all over Melbourne and the rest of it. If we move the whole of the port westward, do you not still have the same problem, that all those containers are basically coming off and then having to be delivered all over Melbourne, including down to Dandenong and the rest of it? The congestion problems and all that stuff you talked about.

**Mr DOWLING** — At the moment when we get a container, we have to bring that container out of Melbourne to Geelong and take it back again. That is the way it works for the consolidators in that area, that element of our business, only a small element of our business. But we have to bring the containers all the way out of Melbourne to load to Geelong and take back again. If the containers were still going to Melbourne, they would be halfway there. But we might pick up containers from Brisbane or Western Australia, depending on where they came from and what was unloaded. The logistics of that might be a bit more complicated; I do not know. Certainly empty containers do move. In fact the truck that takes the full container up comes back with an empty one. I cannot see it significantly influencing it, but it might. If I might also add, a lot of that movement would not have to go to Melbourne. Containers would go from the Avalon/Point Wilson area to some western suburbs, or the consolidator might move down to that area, so some of those train shipments might be much shorter.

**Mr PURCELL** — Thank you, Mr Dowling. We really appreciated the passion you presented with, your vision and more importantly, I think, your common sense; it really is refreshing. Both the current government and the previous government went to the last election with a long-term lease for the port of Melbourne. Why do you believe they did that?

**Mr DOWLING** — I think that is a political question. I actually follow politics fairly closely, and my overriding view was that the previous government still favoured the Hastings area and with the new government, their proposal was to have Infrastructure Victoria look at it, so I must have missed a few editions of the paper or something. Even though I studied politics at university et cetera, I really do not have an answer to it. I am more interested in the business side of what works and what does not work and what is visionary for Victoria.

**Mr PURCELL** — Your comments in regard to Infrastructure Victoria, I think, were reasonable — to say the horse is going to have bolted before they can make those decisions. I think from what you have said you basically have your own opinion on what Infrastructure Victoria should be — it should include where the port should be, intermodal freight hubs, probably an inland port — so you have probably done the 10 years work for them anyway.

**Mr DOWLING** — I will send the account to them!

**Mr PURCELL** — Exactly. Just one query though, if you are talking about Bay West — dredging. With your experience through the channel authorities and so on, what degree of dredging would be required to develop that port?

**Mr DOWLING** — As I mentioned briefly, there has been dredging there before. There would need to be further dredging, but it would need to be dredged to the middle of the bay. The middle of the bay is about 16 metres — it is generally a very flat middle of the bay — so you need to get access to that. The access would be obtained by partly joining to the current Geelong channel, but that would need to be widened and varied. The attractive aspects of that — and dredging is always a very emotional area, and I was on the Victorian Channels Authority, which did the first desktop study of channel deepening in Victoria, so I have a long background in it — is that there are very, very few contaminants in the soil. It is sand, or it is silt or it is mud, because there has been no industry and no commerce in that area. If there is such a thing as clean mud, then it has that attribute.

One of the other things I would like, in answer to your question, to elaborate on is if you have this proper intermodal facility and you have a proper rail system, then the size of ships that come into our ports and the weight of their cargo will not necessarily increase very significantly — in fact, it could be argued that they will reduce in size — because if you can unload, let us say, 200 containers from a ship in Brisbane and bring them to Melbourne inland, then that ship is going to be that much lighter and also that ship is not going to have to bring in containers that it is going to have to drop off in Western Australia. I cannot envisage how Melbourne could ever have a demand for 5 or 6 or 7 million TEUs; it is just not conceivable. Hopefully the people of Melbourne do not want to consume all that sort of stuff. It is inconceivable that it will grow to that size.

My view is that some of the ships — and I have read the Victoria University submission and I have spoken to them on a number of occasions — might become wider, and there might be some need for changing the channels, but not necessarily deepening them. I live at Point Lonsdale, so I see them coming in and out each day, but it is another solution to stop and reduce the level of dredging that would be required — or deepening that would be required — by taking the containers off ships at the right port location. Once again we have to be mindful that every port is linked and every shipping company is restricted to the shallowest port. So it is no good loading it up at a big port if you cannot get into this one or that one. It has to be part of a national plan. Infrastructure Australia should look at it, in addition to Infrastructure Victoria, to see what the right solutions are and what the correct way is for us to move freight in and out of our ports.

**Mr PURCELL** — Just finally, your position seems fairly similar to Mr Riordan's in his submission — —

**Mr DOWLING** — I wrote that, yes.

**Mr PURCELL** — and I presume you have dealings — I am sure you do — with a number of other businesses. Do you think it is a fairly common position in the business community?

**Mr DOWLING** — No, I think it is completely uncommon, because — with respect — most people in business do not have a lot of time to think about these sorts of things. They deal with the current issues from day-to-day. If I say so modestly, most people have not had the opportunity that I have had in the different sectors I have worked in. My insight might be unique — it is probably very different — but it is based on the different range of experiences and opportunities that I have had.

**Mr ONDARCHIE** — Michael, thanks for your contribution this morning. Your experience as deputy chair of the Victorian Channels Authority and chair of the Victorian Regional Channels Authority has really added value to our discussion today.

**Mr DOWLING** — Good, thank you.

**Mr ONDARCHIE** — The purpose of this select committee is to best inform the Parliament as to the legislation before it — whether we should pass it. Given your experience, and the legislation before us puts the position of a 70-year lease —

**Ms SHING** — It is a 50-year lease.

**Mr ONDARCHIE** — with no second container port and the government's own special cashback deal if they decide to build a second port, do you think we should pass the legislation before the Parliament, given your position informed by your experience, as it stands at the moment?



**Mr DOWLING** — Mr Chairman, I have not read the legislation, so therefore I am not able to comment. I have read reports of the legislation. My introductory comments were that I am convinced that the long-term interests of the state of Victoria, the Victorian ports and the City of Melbourne are not well served by entering into a long-term lease of the port of Melbourne. That is my position. Therefore legislation which leads to a lease, the answer must be no — prima facie, ipso facto. But given that that is my view, any legislation that is contrary to it, in my view, is inappropriate and not in the state's best interests.

**Mr ONDARCHIE** — The one that is recommended — that holds back a second container port — is that what you are saying?

**Mr DOWLING** — No, entering into a lease for the port of Melbourne long term is not appropriate. My other view is that there will not be another, second port within Victoria, because shipping companies will not go to two ports in the one stretch of water. Also when you have got a big, strong competitor, if it continues the port of Melbourne as it is, I would not invest two bob in it, because it is just not practical. I am not going to invest in something that is going to lose money. I am a businessman; I would not invest money in something that is going to be a poor cousin, a second cousin, and I am never going to get the economies of scale and never going to have enough confidence to source money to invest in the sort of infrastructure that would make the second port serve Victoria well.

**Ms SHING** — Thanks very much, Michael, for your contribution and for the letter which you have provided and the position which has been outlined, which I think you have also stated that you authored for Mr Riordan.

**Mr DOWLING** — He goes away quite a lot.

**Ms SHING** — I am just looking at the tag on your name badge on the desk and also at the bottom of your contribution. They say 'Riordan Grain Services' and Riordan grains group, but you have also indicated on numerous occasions this morning that you are talking as a concerned private citizen. I would just like to clear that up in the context of which hat you are actually wearing today.

**Mr DOWLING** — I think I might have said, 'And I'm speaking as a concerned private citizen'. The company is called Riordan Group Pty Ltd — that is the name of the company. I am on the advisory board there and I am a shareholder, and I have been for 20 years or something, so it gets in your DNA after a period of time. I am speaking on behalf of Riordan Group Pty Ltd, and also I am speaking as a citizen with extensive experience in this area.

**Ms SHING** — You are not just talking as a private citizen then?

**Mr DOWLING** — No.

**Ms SHING** — I just wanted to clarify that. That is fine.

**Mr DOWLING** — I am not talking as a Geelong Football Club follower either, you know. Although we can talk about that too.

**Ms SHING** — We could go there, but it may take a long time, that particular conversation.

**Mr DOWLING** — More than I have got, yes.

**Ms SHING** — I would like to ask, given that you have referred to having read a number of other submissions — I think you referred to the Victoria University submission — have you read the Department of Treasury and Finance submission to this particular inquiry?

**Mr DOWLING** — No, I have not, I am sorry. No.

**Ms SHING** — That goes into considerable detail in relation to the regulatory framework that is proposed as part of the proposed transaction. I beg your indulgence, noting that I have probably only taken about 25 per cent of the time taken by some of my colleagues across the table, to ask about this one. But I would like to ask whether you have a view in relation to the regulatory framework that is proposed by this specific 50-year lease and whether that view varies at all in comparison to the position that you outlined to the previous government in opposing any sort of lease of the port of Melbourne at all.

**Mr DOWLING** — I have not read that submission, but having worked on government authorities, I am familiar with regulatory arrangements, and I have tried to understand some of the formulas they have come up with, and going back to my university maths to try and understand. I support a regulatory environment like that. You must have that if you are giving a monopoly situation to parties. Also, whoever that successful party is, they have got to deal with port operators and everyone else, and they have to have an understanding. If it proceeds, then clearly those sorts of controls and regulations need to be in place. But I have not made myself familiar with it.

**Ms SHING** — But you would in general terms be in favour of the most robust economic regulatory framework possible?

**Mr DOWLING** — I would be in favour of appropriate arrangements.

**Ms SHING** — What does appropriate mean in general terms to you, Mr Dowling?

**Mr DOWLING** — Appropriate, which would be fair, transparent, equitable. Yes, those sorts of things. ‘Robust’ sounds a bit like thumping the table a bit. But it is semantics. A proper regulatory environment — it goes without saying, and it should be in place, and it should be able to be understood by all participants in the port.

**Ms SHING** — Just if you can expand a little bit about what you envisage as a proper regulatory environment for the purposes of a transaction such as this.

**Mr DOWLING** — It goes back to almost competition policy, where you have got to make sure that everybody has an understanding, there is not abuse of market power, there is not exorbitant charges, there is nothing unforeseen. Ports and channels and things and investments in business all require very long lead times, so you have to be able to understand what the rules are, to see where there is an opportunity for a company or an individual to participate in it. That needs to be done. Also there need to be penalties for those who do not abide by the rules. That is about all I can say I think.

**Mr DRUM** — Thanks, Michael, for the evidence. We have probably only had one other witness with your experience in the industry. He was from the University of Victoria, Peter van Duyn.

**Mr DOWLING** — Yes, I know Peter.

**Mr DRUM** — If you were on the other side of the ledger, so you were bidding for and you were successful in picking up this lease arrangement for 50 years, do you think you would be moving pretty quickly to secure the 20-year extension? If you have just paid \$5 billion, \$6 billion or \$7 billion —

**Ms SHING** — Point of order, you are asking for an opinion.

**The CHAIR** — Order! Ms Shing, as you will appreciate, that is the nature of these hearings. We are seeking views.

**Ms SHING** — The standing orders are the standing orders.

**Mr DOWLING** — If I had paid a large amount of money to provide myself with that opportunity, or if a company which I was involved in paid a lot of money to secure an opportunity, and I thought it was a good opportunity, I would seek to extend it as long as I possibly could. But if I was an investor and they said, ‘Would you like to do this or would you like to build a brand-new port at Point Wilson, where we’ll give you 50 years or 70 years’, whatever it is, ‘We’ll give you a 50-year opportunity to build a brand-new port with all the efficiencies, with all the benefits to be gained from the supply chain, all the benefits to be provided to the state of Victoria’, if you said, ‘That is going to cost you as much as you are going to pay’, I think I would take the Point Wilson opportunity hands down, every time, first time.

**Mr DRUM** — But as you have very clearly put on the table today, under this current lease arrangement, with the compensation and the monopoly situation that the current government are entering into, that is never going to happen.

**Mr DOWLING** — That is my judgement, that a second operator would not come into Port Phillip to conduct any sort of operation on any significant scale or size whilst the current lease arrangements are still in force.

**Mr DRUM** — Thank you. That is very clear.

**The CHAIR** — We have approximately 5 minutes if there are any further questions for Mr Dowling.

**Mr MULINO** — Just following up on Mr Drum's question about whether if you entered into a 50-year lease there would be an incentive to extend that very quickly. Are you aware that the financial advisers in their submission and evidence have indicated that it is unlikely that would be the case because of the way that the building block method would interact with the pricing regime, and that if you were going to extend the lease, it would not likely be in the interests of the leaseholder to do it early on? Are you aware of that evidence they have given to the committee?

**Mr DOWLING** — Deputy Chair, I am not aware of that. But I think I tried to answer by saying if I had a business opportunity that gave me a 50-year opportunity to do something — and at my age that is going to wear me out well and truly — but if I had a 50-year opportunity and there was a further option, I would try and secure that further option. Let us take it back. Let us look at a five-year thing with a two-year option. I would try and secure that. If I thought it was a good business opportunity for me or my company, I would try and secure it.

**Mr MULINO** — I just wanted to clarify whether you were aware of that.

**Mr DOWLING** — No, I am not.

**Mr MULINO** — Just quickly, just one further question on that point of reissue from the government's side. You are aware as a businessperson that if you were going to extend a lease very early on, the net present value of cash flows very late on would be heavily discounted? So the incentive for the other side of the transaction also would not be for an extension early in the period, just based on the normal business analysis of cash flows.

**Mr DOWLING** — I am a chartered accountant with an economics degree, I think I understand some of that. What you say is theoretically correct. With the practicalities and the duration of time, I cannot really comment on that.

**The CHAIR** — If there are no further questions, Mr Dowling, thank you very much for your evidence this morning.

**Mr DOWLING** — Good luck, and I am sorry if I have upset a few people. But I encourage you to be visionary in what you are doing, okay?

**The CHAIR** — We very much appreciate your attendance today, and we will have a draft transcript to you in the next couple of days. Thank you.

**Witness withdrew.**

