

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 10 May 2011

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

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Witnesses

Mr D. Napthine, Minister for Ports;

Mr J. Betts, Secretary,

Mr T. Garwood, Executive Director, Freight, Logistics and Marine Division,

Ms G. Miles, Deputy Secretary, Strategic Transport Planning,

Mr R. Oliphant, Chief Finance Officer, Department of Transport.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2011–12 budget estimates for the portfolios of ports, regional cities, racing and major projects. On behalf of the committee I welcome the Honourable Denis Napthine, MP, Minister for Ports, Minister for Regional Cities, Minister for Racing and Minister for Major Projects; Mr Jim Betts, Secretary of the Department of Transport; Mr Terry Garwood, executive director, freight, logistics and marine division, Department of Transport; Mr Robert Oliphant, chief finance officer, Department of Transport; Ms Gillian Miles, deputy secretary, strategic transport planning, Department of Transport; and Mr Lloyd Brown, speechwriter, who will be operating the presentation only.

Members of Parliament, departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in any way in the committee's proceedings.

Only officers of the committee secretariat are to approach the committee members. Departmental officers, as requested by the minister or his or her chief of staff, can approach the table during the hearing to provide information to the minister by leave of myself as chairman.

Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the person speaking. The panning of the public gallery, committee members and witnesses is strictly prohibited.

I am also pleased to announce that this series of budget estimates hearings are being audiocast live on the Parliament's website. For those who are not aware, those microphones are very sensitive. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege.

This committee has determined that there is no need for evidence to be sworn. However, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence given today is being recorded. Witnesses will be provided with proof versions of transcripts to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt to be replaced by verified transcripts within 48 hours after the hearing.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile phones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of ports.

Overheads shown.

Dr NAPTHINE — This budget funds the first steps of the Baillieu government's plan to tackle port logistics bottlenecks and cater for growth. These bottlenecks are not only reducing the competitiveness of Victorian businesses but will ultimately affect the economic wellbeing of Victorian families. The budget also begins a process of ensuring that future growth in overseas trade, particularly container trade, is not throttled by the lack of planning or a lack of adequate port infrastructure.

Our government is looking beyond the port of Melbourne to meet the challenges of Victoria's growing overseas trade. To that end this government is taking key actions designed not only to relieve the pressure on the port of Melbourne but also to help with the development of Victoria's regional commercial ports. The coalition committed pre-election to grow and develop new opportunities and jobs in regional Victoria in our regional and commercial ports, and for that matter in our local ports. We can certainly help to deliver these opportunities.

Victoria has four commercial trading ports — Melbourne, Geelong, Portland and Hastings — and they handle over 99 per cent by volume and 90 per cent by value of our international trade. When coastal traders are included, the trade for Victorian ports represents over 90 million tonnes of cargo valued at over \$100 billion that is carried by 4500 ships. As well as performing the irreplaceable strategic role of connecting Victoria to its international markets, port activity translates directly into very substantial economic benefits for our state estimated at nearly \$3 billion in economic output, \$1.5 billion in value-added and 15 000 direct jobs. My recent visit to regional ports revealed a vibrant woodchip trade growing in Portland, a resurgent grain trade and a growing mineral sands trade. Geelong in particular is reaping the benefits from a big export component of last year's record grain crops.

The greatest logistical challenge that faces this state is represented in this light. Melbourne's container port, the largest container port in Victoria and of course in Australia, had a record of 2.35 million TEU of containers handled in the port last year, up from 2.3 million in 2008 and a quick recovery from the GFC-induced fall in 2009. The long-term trend is upward. The forecast is that this state will need to handle capacity of between 7 million and 8 million containers by 2035. When we look at the origins and destinations of the forecast growth in containers we find that there will be only marginal growth in containers with an interstate or rural origin or destination because most of the state's population growth is forecast to occur in Melbourne. The number of container movements between Melbourne and metropolitan areas can be expected to quadruple. This has obvious implications for our transport planning. It has implications particularly for the development of a second container port to serve the Melbourne area.

Recently I launched the port of Melbourne study into container logistics supply. This study provides a really detailed picture of the way containers move in and around the state. It tracked over 75 000 container movements and provided the most comprehensive analysis to date of container movements through the port of Melbourne and the Dynon rail terminals. It delivered four key findings.

Firstly, 87 per cent of containers imported through the port of Melbourne are destined for a location within the Melbourne metropolitan area. This is a detail that highlights how important it is to get our Melbourne freight logistics channels operating smoothly.

Secondly, 71 per cent of imports are staged at a transport depot — that is, they make the journey from the port to the customer in at least two hops, staying overnight for a short period in a transport depot.

Thirdly, 26 per cent of full export containers originate in the outer west. Finally, 96 per cent of imported rail containers at Dynon rail terminal are destined for a location within the Melbourne metropolitan area. This information is vital in developing government's freight transport policies and strategies.

This slide shows the destination of most import containers by postcode, with the darkest colours indicating the higher container densities. As I mentioned, 87 per cent of full import containers are delivered to destinations within the metropolitan area. As you can see, the warehousing and transport hubs of Dandenong, Laverton North, Somerton, Altona and Tullamarine receive the greatest numbers.

When it comes to export containers, these are coming from a broader geographic area. Fifty-four per cent have origins in the metropolitan area, the greatest number coming from Laverton, West Melbourne, West Footscray, Laverton North and Altona. The remaining 46 per cent of the port's export containers come from regional Victoria and southern New South Wales, particularly Horsham in the west and Griffith in southern New South Wales. The port's catchment extends to South Australia, and the rail service from Adelaide is a ready source of containerised goods and produce from over the border.

As I mentioned, the government is keen on developing regional Victoria to take some landside pressure off the port of Melbourne. Accordingly we will pursue the development of the port of Hastings. One of the first tasks to be undertaken in this process is the separation of the port of Melbourne and the port of Hastings into separate identities. We did not support the merging of the port of Hastings under the port of Melbourne, and I look forward to the appointment of a new port of Hastings and a new course for the development of that port.

The next graph shows the contributions to the Victorian economy from each of the four commercial ports, and I would like to think that we could go some way to actually increasing the utilisation of some of the other ports as well as continuing the growth of the port of Melbourne.

The second key action this government has already undertaken is to initiate a feasibility study into moving the car import-export trade from the port of Melbourne to the port of Geelong, particularly Corio Quay. Our estimates are that this as a location of car trade could generate up to 1000 jobs in the Geelong region and add an additional \$200 million to the output of that economy. We also believe it would help decongest the port of Melbourne.

Finally I want to talk about local ports. I will skip through here because I am conscious of time, Chair. Last year there were 40 million visits to local ports in Port Phillip and Western Port alone, such is the appeal of the Victorian coastline. The 14 ports you see marked on the map are managed by either local government, committees of management or Parks Victoria. All of them are reliant on state government funding via the Local Ports program, which is my responsibility. In addition to the existing funding of 14.7 million under the Local Ports program, the 11–12 budget will add 6 million to critical asset maintenance and renewal of about \$379 million worth of port infrastructure at these local ports. The sorts of projects that will be delivered by this include dredging, asset maintenance of piers, jetties and navigation aids as well as the implementation of safety and environmental management plans by local port authorities. Local ports provide safe havens and services to the commercial fishing industry, charter boats, recreational fishers and boating interests, and of course they are home to many local and visiting vessels.

Finally let me put up a slide showing the shares that local ports contribute to the state's economy. They are important economic generators in terms of both the commercial featuring industry and the recreational industries. Slowly these things will come across the state, and we move finally to be biggest daddy of them all, Gippsland Ports, which would be of obvious interest to you, Chair.

The CHAIR — Indeed.

Dr NAPHTHINE — Finally in this financial year the government will be allocating \$5 million to the Boating Safety and Facilities program, which is funded by a portion of recreational boat operator licence fees and vessel registration fees and designed to fund boating facilities, search and rescue, aids for navigation, marine communications, education and training. Those funds are also used to improve boating facilities across Victoria. I will leave it there, Mr Chair, in the interest of time so that there is more time for questions.

Mr PAKULA — What a pleasant change.

Ms HENNESSY — That is the attitude we like, Minister.

The CHAIR — Thank you, Minister. That is delightful. We have about 50 minutes now available for questions on the ports portfolio, and I will lead off with what will, for those who are reading the transcripts, come to be seen as a standard question because it is of relevance to the committee's work. How have the predictions concerning population growth shaped the budget for 2011–12 in the out years for the discharge of your portfolio responsibilities?

Dr NAPHTHINE — Thank you, Mr Chair. Certainly population has increased significantly over the last 10 years across Victoria, particularly in Melbourne — over 600 000 people have been added to the population in Melbourne in that period. While population growth is very positive in terms of employment and economic growth, and indeed the multicultural diversity of this state, Victoria cannot rely on growth alone to guarantee future prosperity. Also growth in itself provides some challenges for the budget and the government. That is why this government is interested in this budget in taking the first steps to improving productivity in our ports and transport networks and to strengthening our economy as well as addressing the challenges that population growth poses to livability.

What we are seeking to do is invest in our ports to cater for future population growth and develop our new metropolitan planning strategy to manage future population growth, which Minister Guy is leading the charge on, and of course Minister Mulder is leading the charge on a transport solutions plan to tackle Melbourne and regional bottlenecks. Melbourne will continue to take the greater share of population growth, contributing to significant increases in freight coming in and out of our ports. As I alluded to in my presentation, the port of Melbourne is this year expected to do 2.3 to 2.4 million TEUs, and it is expected that that will grow by 2035 to probably 8 million TEUs, so it will nearly quadruple in that time.

There are real challenges, as you would be aware, Mr Chair, in catering for that growth in the port of Melbourne. The port of Melbourne is an extremely efficient port, and it is a great credit to the management of the port of Melbourne that we maintain that efficiency in a port that is in the centre of a large population area. What we need to do is work in conjunction with the port of Melbourne to continue to grow opportunities for increased trade and increased efficiency and productivity through the port of Melbourne. We need to address some of the transport bottlenecks coming in and out of the port of Melbourne, but we also need to take a longer term view in terms of growth. That is one of the things that we as a government have undertaken with respect to our decision to commit to the development of the port of Hastings as a competitive container port. We have taken the first steps by undergoing that process and will be moving legislation in the Parliament to separate the port of Hastings from the port of Melbourne.

As you would be aware, the previous government merged the port of Hastings into the port of Melbourne and it was the previous government's policy that no containers should go through the port of Hastings until at least 2035. We believe that was a mistaken policy. We believe it was not in the interests of Victoria and Australia. We believe that Hastings should be developed as a container port on a much shorter time frame than that.

We are going to separate the port of Hastings. We will establish a port of Hastings separate identity, and that will be tasked with undertaking the preliminary work in terms of port planning, but also we have made a commitment to undertake social, cost-benefit and environmental impact studies up-front to guide the development of that port.

The other major thing, in concluding this answer, I wish to refer to, Chair, is the work we have undertaken with respect to looking at moving the car trade to the port of Geelong. The car trade currently operates out of Webb Dock and we are examining options for moving that car trade to Geelong. We believe that will be a great benefit to Geelong in terms of creating jobs and economic benefits in Geelong and we also believe that would have an added benefit of helping to decongest the port of Melbourne and truck traffic in and out of the port of Melbourne.

The CHAIR — Thank you, Minister. Before I proceed to invite my colleagues to ask questions, I remind you, Minister, to direct your response through the Chair.

Mr PAKULA — Minister, you have talked about the growth in TEUs through the port of Melbourne and I think it is correct to say that TEUs through the port of Melbourne grew by 12.5 per cent over the last year, which is above the long-term average of 8 or 9 per cent, but at page 143, budget paper 3, there are in fact very modest output initiatives for the ports. You have already said that the number of TEUs through the port will rise from 2.2 million to 8 million, I think by your figures, by 2035. I am wondering if you can take the committee through the status of the market-testing process into the container-handling capacity of the port which tries to identify the means by which an extra million TEUs would be handled, and also explain to us what provision has been made to meet that expected growth over the forward estimate period?

Dr NAPHTHINE — What page are you on?

Mr PAKULA — At page 143 there are only very modest output initiatives for the ports. There is a little bit of money for the port of Hastings development and a little bit of money for local ports, and that is about it.

Dr NAPHTHINE — I am just getting some clarification, but I think the issue is that the port of Melbourne runs a separate budget and so the figures with respect to the port of Melbourne's budget are not here at page 143.

Mr PAKULA — Okay, that is fine.

Dr NAPHTHINE — If you look at the annual report of the port of Melbourne you will see that, and there is a page within budget which indicates a significant number of investments being made by the port of Melbourne.

Mr PAKULA — Capital investments?

Dr NAPHTHINE — Capital investments made by the port of Melbourne. But I would perhaps suggest you look at the port of Melbourne annual report. At page 95 of budget paper 4 there are significant capital investments regarding the port of Melbourne. You have also got to recognise that within the port of Melbourne

a number of the other significant capital investments are undertaken by the stevedores themselves, whether that be DP World or Patrick, who are the two stevedores who operate in east and west Swanson Dock. They handle most of the container trade and therefore in terms of investments with gantries and container logistical equipment, it is largely undertaken by those private companies who do most of that work.

The overall point you make is correct in that we do face a significant challenge and the growth in trade, as you said, was a significant growth this year compared to the previous year, which was affected by the global financial crisis. We have had a long-term average growth of, I think, about 8 per cent per annum in TEUs. Then we had a slowdown through the GFC, and this financial year we have bounced back to 12 per cent growth. But if we follow that 7 to 8, 9 per cent growth into the short, medium and longer term, we are looking at 8 million TEUs by 2035 and some real challenges about, even if we get the port of Melbourne operating absolutely as efficiently as possible, whether the infrastructure will cope with that additional trade, and they think the answer to that is that it will not, on its own.

Mr PAKULA — And the market-testing process that I asked you about?

Dr NAPHTHINE — Sorry?

Mr PAKULA — The market-testing process to the container-handling capacity?

Dr NAPHTHINE — I am sorry, I do not understand the question.

The CHAIR — Would you like to rephrase your question.

Mr PAKULA — I understand that there was a market-testing process that was being undertaken into the container-handling capacity of the port to deal with an extra million TEUs.

Dr NAPHTHINE — The previous government released a discussion paper about additional capacity. In my role as minister, I have sought advice from the Port of Melbourne Corporation into that additional capacity. We have only recently received that. The Department of Transport is now studying that paper. They will take account of the submissions made to that discussion paper and they will provide me advice on where we go with respect to the short, medium, longer term containers. We, the government, are firmly of the view that an essential component of that is the development of the port of Hastings as a competitive container port.

Mr MORRIS — Minister, can you indicate to the committee what steps government is taking to encourage greater use of regional ports and of course the improved employment opportunities that flow from that, and as a consequence, also what steps are being taken in terms of reducing the current congestion at the port of Melbourne?

Dr NAPHTHINE — Thank you, Mr Morris, for that question. Clearly, for example, the ports of Geelong and Portland in the last few months have had a significant increase in trade. The port of Portland, which is in my own electorate, I am very pleased to say, after some challenging years is having significant increases in trade with the mineral sands, woodchips and of course the significant grain harvest of this year. Similarly the port of Geelong is getting a significant increase in grain harvest, so we are seeing a significant increase in work and ships through those ports.

In addition, as I outlined in my previous introduction, we as a government are undertaking opportunities to grow regional ports, and one of those significant opportunities is to look at the car trade. With respect to cars, I think about 375 000 vehicles per year are exported or imported through the port of Melbourne at Webb Dock, and what we are suggesting is that we should look at what are the opportunities to relocate that trade through the port of Geelong, through Corio Quay. If we can put some of those slides back up again, we can show some of the area that is available for that. What that has the potential to do is deliver a thousand jobs. Corio Quay — I cannot reach to point it out on the slide — is an area where we believe we can bring roll-on, roll-off car carriers into Geelong. We are currently undertaking a consultation process, and \$2 million is allocated in the budget for that process. The Department of Transport has already met with a number of the key stakeholders — importers and exporters, and particularly with Toyota, as our major exporter — and they have looked at the opportunities where we could relocate that export trade in Geelong, which would grow jobs and opportunities in Geelong. It would also provide the opportunity to free up Webb Dock. That provides some additional opportunities for Webb Dock, and it also takes a fair traffic load off that inner city area in an around Webb

Dock and West Gate Bridge. So it has significant benefits, and we are looking forward to the outcome of that. A discussion paper will be released later this year and then we hope to make a decision early next year.

Mr SCOTT — Minister, I refer you to budget paper 5, table 2.4, which is located on pages 48 and 49, and I ask: do any of the revenue items incorporate the freight infrastructure charge; and further, given that the minister has previously expressed reservations about the freight infrastructure charge and the then Leader of the Opposition commented on 15 November 2010 and again as Premier on 19 April 2011 not to impose any new taxes, can the minister confirm the government will not be imposing a freight infrastructure charge or any similar port access charging regime over the forward estimates period?

Dr NAPTHINE — I might need some advice about these — —

Mr SCOTT — That is the state of Victoria, which includes both the government general sector and the non-financial public corporations, including the ports.

Dr NAPTHINE — These are figures put together by Treasury so you would be better to ask Treasury what they include in those figures.

Mr SCOTT — Just, with the indulgence of the Chair, it includes the whole of the government sector in Victoria.

Dr NAPTHINE — As I say, as to how exactly they are made up you would be best to ask Treasury about that.

Mr SCOTT — No, but it includes all revenue.

The CHAIR — Let the minister finish.

Dr NAPTHINE — As to the exact components of it, you would be better to ask Treasury. But you will recall, Mr Scott, that the previous government — your government — announced in 2008 that work would be commenced to implement a freight infrastructure charge on all trucks visiting the international container terminals at Swanston Dock in the port of Melbourne to pick up and drop off containers. The freight infrastructure charge was developed in the context of the revenue and policy parameters of the previous government, and the Baillieu government is now in the process of considering the freight infrastructure charge in the context of its own policy priorities and indeed in terms of what has been built into the forward estimates.

We are committed to making sure that we have an efficient port supply chain, particularly as the port task grows. We were also concerned that the previous government's proposed freight infrastructure charge as it was constructed would discriminate unfairly against small trucking operators and would discriminate unfairly against regional and rural exporters, and we were concerned that the costs of collection and administration and the systems being considered by the previous government to collect the freight infrastructure charge would be a significant impost in terms of the cost versus the revenue returns to the state. So all those matters are now under consideration by this government.

Mr SCOTT — So I take it that is sort of a yes, no and maybe answer.

Dr NAPTHINE — You can take it however you like.

Mr PAKULA — Is it a yes, a no or a maybe?

Dr NAPTHINE — You can take it however you like.

The CHAIR — Mr Scott has asked the question. The minister has answered it.

Mr ANGUS — Minister, I note in budget paper 3, page 143, there is a reference to the boating safety program. I wonder if you could outline for the committee what funding is in the budget, firstly, to improve boating safety and, secondly, to improve boating facilities for recreational use?

Dr NAPTHINE — Thank you, Mr Angus. As you are aware, the boating facilities and the safety program is an important program in terms of marine safety and also in terms of access to our magnificent coastline by

many people, particularly recreational boaters who utilise it for fishing and for general recreation. We are talking about both open ocean access and of course the Port Phillip and other bays and inlets and the inland waterways, which fortunately after recent rains now have significantly more water in them. The budget this year announced a continuation of a Boating Safety and Facilities program, providing \$20 million over the next four years. Unfortunately under the previous government this was what was called a lapsing program. There was nothing in the forward estimates under the previous government for this very important safety program. I must say as an incoming Minister for Ports with responsibility for this program I was shocked and surprised that there was no provision in the forward estimates for funding to protect people who are going out on our waterways, no provision to — —

Mr PAKULA — Do you not have any lapsing programs? All your programs are funded in perpetuity, are they?

Dr NAPHTHINE — There was no provision for improvements to boat loading ramps to make sure that people can get their boats in and out of the water safely or navigation aids or equipment. Despite the fact that it was a lapsing program with no money in the forward estimates we have provided money — \$20 million over four years — —

Mr SCOTT — And then what happens? Then it lapses.

Mr PAKULA — That is a lapsing program, is it?

The CHAIR — Ignore the interjections.

Ms HENNESSY — What a shock!

Dr NAPHTHINE — These funds will be directed to enhance access to waterways and improve safety of boating programs, for projects such as facility upgrades, equipment for volunteer search and rescue groups, and statewide safety and education initiatives targeting recreational boaters. This program has historically been used to fund: boat-launching facilities — boat ramps, pontoons, jetties, minor dredging projects, navigational aids, navigational markers and safety; search and rescue groups, covering new vessels, engine replacement, safety equipment and crew training; marine communications, which are very important in this modern day and age, including public radio facilities, webcams and weather stations; and of course the vital public education programs and training courses.

This program operates through a series of competitive grants, and many people — whether they be local councils, local waterway managers and local boating groups — are eligible to apply for funding under this program. It is a very good program, and it is vital to improve boating safety on our waterways.

Ms HENNESSY — Minister, I am very pleased to hear, Minister, that there will be no lapsing programs under your watch. My question is in relation to the port of Geelong and the relocation, specifically to some issues that were raised in the course of your presentation, and the \$2 million for the planning study for the relocation of the car import/export trade to the port of Geelong. I also would like to make reference to a media release that you sent out on 3 February, which was perhaps a little pre-emptively headed ‘Coalition government’s massive job boost for port of Geelong’, where you state that the transfer from Webb Dock down to Geelong will generate:

... 1000 jobs in the region and provide an additional \$200 million in output to the local economy ...

My question is this: can you identify the realistic cost of the project given the nature of the channel width and the channel’s geology? Further, I would be grateful if you would advise the committee on what the attitudes and positions of the vehicle manufacturing industry and the port of Melbourne are in respect of this project.

The CHAIR — I think you can choose which question you answer, Minister.

Dr NAPHTHINE — Thank you, Ms Hennessy, for your question. During the 2010 election the coalition committed to undertake a study to test the feasibility of relocating some or all of the auto trades from the port of Melbourne to Geelong. The budget that we are discussing here today contained \$2 million to commence this study. Currently there are about 30 hectares of land at Webb Dock used by the automotive trade. There were about 320 vehicle carriers using the port of Melbourne for 375 new vehicles that were handed through the port

in 09–10, of which 125 000 were exports of new vehicles built in Victoria, most of them in Altona at Toyota. They are worth about \$1.7 billion in exports. Relocating the car trade to Geelong could potentially have the twin strategic benefits of promoting economic growth and jobs in Geelong but also would ease the transport congestion pressures around the port of Melbourne.

The government will release a discussion paper later this year seeking public and stakeholder submissions, while the study is being completed at the end of this year. The government is very keen to assess the potential benefits to cater for the increased container movements in the port of Melbourne. We believe action is necessary now, where it appears that the opposition had no strategy to deal with how the port would deal with this increased traffic.

The feasibility study will be undertaken by the Department of Transport in close consultation with the port of Geelong, car importers and exporters, shipping lines, relevant councils and key industry and community interests. Already a significant number of those early discussions have been undertaken. I must say the feedback has been considerably positive towards the opportunities that this offers. Yes, there have been some issues raised, but there has been a lot of positive reaction to the early stage of consultation. Those consultations were undertaken during April and May this year. The port of Geelong is a private port and will obviously be involved in the relocation, should it go ahead, in terms of upgrading facilities and infrastructure. The comprehensive study will cover a range of issues: the technical feasibility of the proposal, the port infrastructure and capital requirements and costings, land transport options and implications, financing options and responsibilities, competition and regulatory issues, import/export, supply chain-related industry impacts and broader port policy and strategic implications.

You asked specifically about the channel. The Victorian Regional Channels Authority have already been consulted on this issue and believes it can adequately cope with the roll-on/roll-off vessels in the Geelong channel. It will be consulted further on this and will be an integral part of that process. It is of note — if you wish to listen to the answer, Ms Hennessy — that just recently a car roll-on/roll-off vessel was unloaded in Geelong, because of a tragic strike at the Webb Dock facility. This vessel was diverted to Geelong and was recently unloaded in Geelong. That was a significant car carrier that was taken through the shipping channels into the Corio Quay at Geelong.

With respect to Altona I believe there are enormous opportunities, given that Toyota in Altona is on the western side of Melbourne. For them, shipping their export vehicles to Geelong could be done with much greater efficiency and much less effect on the congestion on the West Gate Bridge by going from Altona directly to Geelong rather than coming over the West Gate Bridge to Webb Dock.

The CHAIR — That is a comprehensive answer.

Ms HENNESSY — Just to clarify, Minister, do you anticipate that the channel will be widened?

Dr NAPHTHINE — We will be consulting with the Victorian Regional Channels Authority; they are the experts on this matter. Their preliminary advice is that they believe the roll-on roll-off vessels can be catered for in the current channel. Having said that, let me make it clear that there are already plans within the regional channels authority, irrespective of the relocation of the car trade, for some dredging works and some reconfiguration works of the regional channels going in and out of the port of Geelong. They were on the books and scheduled well before any consideration of the Geelong car trade. Having said that, there are plans for some reconfiguration of the Geelong channel and that is well under way. We will be taking further advice from the regional channels authority on this issue, but the preliminary advice is that they believe it can be catered for.

Mr O'BRIEN — Minister, could you advise me of what funding the government is providing for waterways that were affected by flooding earlier this year?

Dr NAPHTHINE — As you are aware, when we had the significant rainfall events over the last six to eight months it was a blessed relief for many parts of regional and rural Victoria in terms of areas that have been suffering from 10 years of dry seasonal conditions and drought, but unfortunately it caused significant local and more widespread flooding in a number of areas of Victoria. That flooding has caused enormous damage to a number of waterways and a number of these waterways are very popular with boating enthusiasts. We as a government felt it was absolutely vital that we provide direct assistance to and opportunities for waterways

managers to repair those waterways in terms of safety equipment and navigational aids on those rivers and lakes that are popular for recreational vessels. That is for two reasons.

Firstly, it is to provide recreational boat users with safe access to waterways that have been affected by the floods. Secondly, and most importantly, it is also vital for those communities, many of which in regional and rural Victoria have suffered economically from the prolonged drought and dry conditions only to suffer a double blow with the damage the floods caused to not only to their local infrastructure but also to the local economy. If you talk to local people in these areas they say the best way to build the local economy is to get people to come and visit. 'Bring the tourists back. Get the people coming back to visit. Tell them we are open for business'. That is said time and again. One of the great sources of tourism and tourist expenditure is people who are interested in recreational boating.

What we have done is to provide a pool of \$200 000 specifically for waterways that were affected by floods and specifically for waterways safety equipment that was affected by the floods. For example, I have written to all the waterways managers saying this fund is available and seeking their input. It was suggested they could be used for identification and marking; removal of hazards to navigation such as trees, building materials and other debris; replacement of boat safety signs on water navigation aids; or to help restore critical boat launching ramps or car parking areas that have been washed away by flood waters.

This is a program that is really important, to restore those waterways. But more importantly it is really important to help those areas say they are open for business, they are welcoming tourists and recreational boaters who then spend dollars in and help to rebuild the economy, confidence and enthusiasm in those communities.

Mr PAKULA — Minister, I just want to go back to your plans for the port of Geelong. Assuming you are successful in moving the car trade, can you explain your plans for the development of Webb Dock East and whether the recent announcement by the Minister for Planning of the massive new housing development at Fisherman's Bend, which abuts the port of Melbourne, is going to have any impact on your plans for Webb Dock East? For example, would the housing development mean that the Webb Dock rail link could not be re-established because of its proximity to the land which is earmarked for residential development?

Dr NAPHTHINE — Let me answer that in several parts because it covers a number of issues. Let me answer with respect to the announcements made by the Minister for Planning in regard to Fisherman's Bend. There are no implications whatsoever from that announcement with regard to the land managed by the port of Melbourne and Webb Dock. While it is in the vicinity, there are no implications whatsoever.

With regard to the future use of Webb Dock, that is a matter that is under active consideration. As I have outlined previously, there are significant challenges in dealing with a massive growth in container trade. There are a number of strategies that we as a government have undertaken with regard to bringing on and bringing forward the development of the port of Hastings, and we look forward to bipartisan support for that. There are also strategies we have undertaken with regard to seeking to examine the opportunities for relocating the car trade from Webb Dock to Geelong.

The Port of Melbourne Corporation has made it clear that in its view Webb Dock may be a useful opportunity for additional container trade. That is being examined by the department and the government, and that will be part of our considerations in dealing with this significant growth and challenge in the container trade.

Mr PAKULA — Minister, do you envisage that you could practically use Webb Dock for container trade without re-establishing the rail link?

Dr NAPHTHINE — The former minister would recollect that his former minister for ports was well down the track of looking at Webb Dock as a container port, and he nods his head as approval that obviously he and his side of politics support — —

Mr PAKULA — I was not the minister for ports.

Dr NAPHTHINE — No, but you nodded your head, as you understand that is what was the intention of the previous minister in the previous government.

Mr PAKULA — Is that what I was doing?

Dr NAPTHINE — Then there was a discussion paper released in June last year by the previous government on that very issue. That is an issue that we are taking up as we look at how we deal with the challenge of container trade and container growth.

The CHAIR — Can you update the committee on what the government is doing to handle the forecast demand for increased container movements through the port of Melbourne?

Dr NAPTHINE — It follows on from the same question.

The CHAIR — I thought you might like to embellish a little further.

Dr NAPTHINE — It is a very important issue because it is one of the key, fundamental issues in this challenge. I think this is an issue that is beyond politics; this is an issue that is vital to the future of the economy of Victoria and Australia. It would be terrific to have bipartisan support for the future development of our ports in this state.

Mr PAKULA — Just like we could always rely on you for.

Dr NAPTHINE — I look forward to the opposition's support or outlining its strategy for dealing with this significant growth in container trade. What we have said before is that there is 2.3 million TEUs going through the port this year and it is expected by 2035 it could be 8 million. What we have said is that we want to bring forward the development of the port of Hastings. We think the port of Hastings should be developed in a fair and reasonable time frame as an alternate and competitive container port to the port of Melbourne. I would envisage that in the next 50 to 100 years — far be it for me to project that far ahead — the port of Melbourne will still be Australia's no. 1 container port. It is a vital part of our economy, it is well situated and it is vital to our future. But we do need to do more. That is why the port of Hastings needs to be brought forward in terms of its development as a container port.

Within that context we also need to look at what decisions we need to make in the short to medium term to ensure that we meet the growing capacity of containers through our port. That will require significantly increased efficiency and productivity at Swanson Dock by both the existing stevedores and it will require looking at other options and whether there are other options available in terms of containers within the port of Melbourne or, probably to a lesser extent, the port of Geelong.

Mr SCOTT — Minister, I refer you to budget paper 3, page 143, and the port of Hastings output initiative. I refer you also to a response that you gave to a matter raised on the adjournment debate concerning the costs of developing the port of Hastings. You are no doubt aware of the previous costings of the relocation in the order of \$9.7 billion over 10 years. You are also no doubt aware of the proposals for developing the brown coal export trade. In your response to the member for Tarneit on the adjournment debate you stated that the government does not intend developing the rail link to the Latrobe Valley and that that constituted a principal distinction in the costings. I ask: if the government is supportive of brown coal exports, as clearly some in the business sector believe, but not a rail link to the port of Hastings, how do you intend to transport the enormous volumes of the coal trade to the port?

Dr NAPTHINE — That is a very longwinded question.

Mr PAKULA — We spent 3 hours this morning dealing with longwinded answers.

Dr NAPTHINE — I hope my answers have been more succinct.

Mr PAKULA — They have.

The CHAIR — While we are all patting each other on the back, Minister, would you like to answer through the Chair?

Dr NAPTHINE — With respect to budget paper 3, the initial allocation for the port of Hastings is \$2.3 million. That is in light of the fact that we still have to pass through the Parliament — and far be it for me to pre-empt the decisions of the Parliament —

Mr PAKULA — Who are you expecting to have cross the floor?

Dr NAPTHINE — Given that the Parliament in its great wisdom supports the government's legislation to separate the port of Hastings from the port of Melbourne, that will take some time to go through the Parliament. Therefore it is expected that the port of Hastings authority or the port of Hastings structure may not be put in place until halfway through this financial year or some time in that process. Therefore what we are looking at in this budget paper, the \$2.3 million, is expenditure in the 11–12 year. We have an assurance from the Treasurer that if additional funds are required because we get the authority up much faster and get it out there doing its work much faster there will be funds available to facilitate that so we can get on with the job. So that explains those figures there.

With respect to your other comment, about the costings of the development of the port of Hastings, in the Parliament I rejected those costings and I here again reject those costings. I do not think those costings are fair and reasonable costings of the development of the port of Hastings. The previous Labor government estimated the total cost of developing the port of Hastings at somewhere about \$9 billion or \$9.5 billion, but that included \$2.975 billion for a rail link between Hastings and Dandenong, using the Stony Point line and the EastLink corridor, which this government, both in government and in opposition, have absolutely rejected — \$3 billion of costings which we reject. That costing also included \$1.97 billion for a rail link to Gippsland, which has also been rejected by this government. With respect to your question about the export of brown coal, that is an issue that the whole of government will have to consider. It is a very hypothetical question. If there is a concrete proposal with regard to any exports of brown coal, a range of decision-making processes will be involved. There will not simply be a decision made about the logistics of taking coal from the Latrobe Valley to the port.

Mr SCOTT — I did not suggest that.

Dr NAPTHINE — There will be a broad range of issues, and it will be considered in that context.

Mr SCOTT — Just to clarify — and I think I understand — there is no alternative costing for that transport link to the port within the budget as far as you are aware?

Dr NAPTHINE — What we have said, and what I will say again, is that our task will be to establish the new authority and its instructions will be to develop the plans for the development of the port of Hastings and to provide advice to us about that development, including some of the landside logistics. It will also be asked, in accordance with our policy, to undertake a cost-benefit study, a social impact study and an environmental study as part of the studies that will guide that process.

Mr O'BRIEN — Minister, could you outline what the throughput of cargo has been in the context of your presentation and your answers today and what the forecasts are for the ports, particularly the two commercial trading ports in Western Victoria Region — Geelong and Portland — that you have identified.

Dr NAPTHINE — The port of Geelong and the port of Portland are both privately operated ports, but I am pleased to say that this year particularly they are showing a very strong trade performance. The port of Geelong is expected to handle over 10 million revenue tonnes in 11–12 — a strong increase from 9 million tonnes in the course of the current financial year. The port of Portland is expecting even more significant growth, with tonnes handled to grow from 4.1 million tonnes to 5.5 million tonnes.

The port of Geelong is expecting and exhibiting strong growth. Mr O'Brien, you may recall that I recently visited the port of Geelong with the Regional Channels Authority and inspected a number of ships that were waiting to load grain. The number of ship visits to Geelong is expected to grow from 435 in 09–10 to as many as 560 in 11–12. Over 900 000 tonnes of grain have already passed through the port, with an estimate of another 1.5 million tonnes expected to be shipped through the port by the end of the calendar year.

It is great to see the port of Geelong again thriving on the export grain trade. It is great for two reasons: it is good for Geelong and it is good for the economy of Geelong and the port of Geelong, but it really means that the farmers in the Wimmera-Mallee and throughout Victoria are exhibiting good returns for their grain harvests. Of course Geelong also has strong growth in chemical and petrol products, with an expected \$2.5 million revenue tonnes, and also alumina, steel, soya bean and fertiliser.

The port of Portland, which is in my electorate and an important part of your electorate, Mr O'Brien, we expect to see growth from 268 ship visits in 10–11 to 310 visits in 11–12. The key component of the increased growth is the grain trade, similar to Geelong, but very importantly in Portland we are starting to see a significant growth

in the trade through woodchips. The traditional trade in woodchips through the port of Portland has been the softwood woodchips out of the pinus radiata plantations in south-east South Australia and south-west Victoria, but now we are starting to see a real upsurge in export of blue gum or hardwood woodchips. Finally, I think the region down there is starting to see the economic benefits of those blue gum investments.

The other area that has experienced significant growth is mineral sands, which is growing significantly and is expected in 11–12 to grow to 475 000 tonnes. That is a very important component of both of those trades. As Minister for Ports I am pleased that we are seeing our regional ports growing and producing significant trade returns.

Mr O'BRIEN — Thank you; I am pleased too.

The CHAIR — We have time for a final question in this portfolio.

Ms HENNESSY — Minister, I refer you to budget paper 3 at page 349, under the heading 'Freight, logistics, ports and marine development'. There is a broad objective there to improve the efficiency of the freight and logistics sector. Given your longstanding opposition to trucks, or as you once described them 'monster trucks', what action do you intend to take to reduce the number of trucks making their way into the port of Melbourne area, and can you guarantee that the number of trucks entering the port of Melbourne area will reduce?

Dr NAPHTHINE — Let me clarify for Ms Hennessy the issue of super monster trucks.

Ms HENNESSY — Super monster trucks, not just monster trucks! Wow.

Mr PAKULA — Super monster trucks!

Mr SCOTT — Not truckasarus?

Dr NAPHTHINE — Super monster trucks; this is a name that seems to have accrued to what are described in technical terms as 'high productivity vehicles' or HPVs. An HPV, as distinct from a traditional B-double truck, can be described as follows. A traditional B-double truck has a first trailer which can carry a 20-foot container and a second trailer that can carry a 40-foot container. An HPV, or what some people may call a 'monster truck' or a 'super monster truck' — —

Mr PAKULA — Some people? You!

Dr NAPHTHINE — Super monster trucks have provision to carry a 40-foot container on the first trailer and another 40-foot container on the second trailer, so they are longer and heavier than the traditional B-double truck, which has become more common on our roads. With respect to my own electorate in particular, I have expressed concern and I still express concern about the use of these longer, larger, heavier trucks on roads and highways that are not appropriate for their usage in terms of weight limits on bridges and roads and in terms of adequate passing lanes and adequate shoulders on the roads.

At this stage there have been severe restrictions imposed by VicRoads and authorities on where these HPVs can operate. Having said that, let me make it clear that, while I have expressed some concern about them being on inappropriate roads, in terms of productivity and efficiency they do offer benefits to freight and logistics in terms of improved efficiency and improved efficiency of carrying goods. They can actually reduce the number of trucks on the roads. If we carry more containers or large containers on a fewer trucks we actually have fewer trucks on the road.

Ms HENNESSY — And the numbers going into the port of Melbourne.

Dr NAPHTHINE — We would have fewer trucks going into the port of Melbourne. What we need to do is make sure that we have an appropriate freight and logistics plan so that these larger, longer, heavier trucks can be on roads that are safe and appropriate to accommodate them and that they can operate efficiently and effectively, reducing the total number of trucks on the roads and, at the same time, operating safely with respect to other road users.

Mr PAKULA — That is a Damascus road conversion.

Dr NAPHTHINE — No, it is not. It is exactly what I have said all the way along.

Ms HENNESSY — The monster turns into a fairy, perhaps?

Dr NAPHTHINE — No. What we have to do is make sure these larger, longer, heavier trucks are used appropriately and on appropriate roadways. That is what our task is. Minister Mulder and I are working together on our freight and logistics plan with respect to the port of Melbourne and its surrounds and with respect to the broader port and freight logistics across the state to ensure that these trucks are used where appropriate to improve productivity and efficiency. We are also looking at how we might be able to get our freight and logistics operating outside peak hours, getting them to operate in manners that can deliver better outcomes for the freight and logistics sector and better outcomes for the broader community.

The CHAIR — I am sorry, we are eating into the limited time available for the regional cities portfolio, so I will bring this to a conclusion and thank Mr Betts, Mr Garwood, Mr Oliphant, Ms Miles and Mr Browne for their attendance.

Witnesses withdrew.