

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 8 May 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Dr D. Napthine, Minister for Ports,

Mr J. Betts, Secretary,

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

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

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2012–13 budget estimates for the portfolios of Ports, Regional Cities, Racing and Major Projects. On behalf of the committee I welcome the Honourable Dr Denis Napthine, MP, Minister for Ports, and from the Department of Transport Mr Jim Betts, secretary; Mr Terry Garwood, executive director, freight, logistics and marine division; and Mr Robert Oliphant, chief finance officer. 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 gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his 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 persons speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament's website.

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 the transcript 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 five days of receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally, the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones 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 ports portfolio.

Overheads shown.

Dr NAPHTHINE — Thank you, Chairman, and thank you for the opportunity to address the committee. I will use this opportunity to present some detail on the government's investment over the last 12 months in the area of ports and its plans for the immediate future. Today is an opportunity to share the government's vision to grow Victoria's ports capacity and how we can expect to develop opportunities for the port of Melbourne as well as continue work on the state's second container port at Hastings.

I want this afternoon to begin with some context. Victoria has four commercial ports. Portland and Geelong are key bulk and break bulk ports. The next graph shows the growth of Portland and growth of Geelong in the past two years. Both ports are experiencing significant growth in their trade. Portland saw volumes increase from 3 to 4 million tonnes, and the port of Geelong saw volumes increase from 10.6 to 14.2. Portland's growth is particularly in hard and softwood plantation wood chips, mineral sands, the continued aluminium trade and grain increases. In Geelong we have seen significant increases in grain trade and ongoing petroleum trade.

At the port of Melbourne exports rose from 21.2 million tonnes in the 09–10 financial year to 23.5 million tonnes in the last financial year — a pleasing 11 per cent increase in exports, which is fantastic. Imports also grew from 32.1 million to 33.6 million — a 4.9 per cent increase. Melbourne is the nation's largest container port, handling 37 per cent of the nation's container trade. Nearly 2.5 international mainland and Tasmanian trade TEUs, or 20-foot equivalent containers, were handled off the port of Melbourne last year, up from 2.4 in 2010 and a quick recovery from the GFC-induced fall in 2009.

The long-term trends upward, and forecasts based on relatively conservative growth figures of 6 per cent annually indicate the state will need a capacity to handle about 8 million TEUs by 2035. The reason for this growth in container trade is fourfold. The first is population growth. The second is increase in trade volumes overall. The third is increasing use of containers for bulk exports, and particularly we have seen a significant increase in using containerised grain trade and a lot of our agricultural produce is now being containerised for export. The fourth reason is Melbourne's competitive advantage over Sydney, Adelaide and Brisbane as a container port, particularly with our freight and logistics infrastructure, which means, as this next slide shows, that Melbourne is capturing a lot of the competitive freight from the Riverina and from south-east South Australia and right into South Australia itself. They are finding it easier to link to the port of Melbourne than to the port of Botany or Port Adelaide.

A fortnight ago the Premier announced the government would adopt two key actions to increase capacity at the port of Melbourne. Firstly, we will work with the stevedores to boost capacity at Swanson Dock — that is both East and West Swanson Dock. Both Patrick and DP World have indicated that they are interested in developing and further growing capacity on Swanson Dock. Secondly, we will take action to allow the port to develop an international container terminal at Webb Dock.

The container handling capacity at Swanson Dock and Webb Dock will secure Melbourne's container handling capacity until 2025 and beyond, allowing time for the planning development of capacity elsewhere, in particular at Hastings. This is a \$1.2 billion project which will see the port of Melbourne develop capacity to handle at least 5 million containers annually. It will also generate 700 direct jobs and 1900 indirect jobs.

The development at Webb Dock will be accompanied by some key upgrades to the eastern interface with the communities of Port Melbourne and Garden City. Firstly, Webb Dock will be no longer accessible from Williamstown Road — in other words, we are taking heavy trucks off Williamstown Road. An alternate route will be developed to divert the port's traffic along the dotted line which is now being put in — this is fantastic technology. You will have that direct port access road take the trucks off Todd Road and off Williamstown Road, and they will link directly onto the east and westbound links of the M1 through roundabouts on either side of the M1.

The development will also see the upgrade of buffer zones, which will be between the port road and Todd Road, and landscaping and noise barriers will be installed along web Webb Dock's eastern boundary, as can be seen on the screen, so that nearby residents are protected, and will also provide residential access to a viewing point at the bottom end of the east side of Webb Dock. This will also allow the car trade, which currently operates on Webb Dock, to consolidate to Webb Dock West and use Webb Dock West and the land immediately to the north of Webb Dock West and south of the M1. That will add that consolidation there.

There has been a high level of interest in the opportunities that a third container terminal brings, and I anticipate an active bidding process for the right to build and operate this facility, and we will be looking as a government for increased competition as a result of that process. We will be boosting capacity and boosting competition to ensure that Melbourne remains Australia's no. 1 container port, which is good for the economy, good for jobs and good for our whole state.

This development will be looking at short-to-medium-term capacity, and in the longer term we will be also developing the port of Hastings as a container port. It is close to key shipping channels with a natural deepwater port. There are currently no container facilities at Hastings, so it is estimated to take 10 to 15 years to develop that capacity. Last year the Parliament passed legislation enabling the appointment of the Port of Hastings Development Authority, reversing the previous government's decision to merge Hastings and Melbourne. Earlier this year I had the pleasure of announcing Yehudi Blacher, who is known to many of you, as the inaugural chairman of the Port of Hastings Development Authority. We have great faith in Yehudi. With his background in planning and in public management and the public sector, he will drive this process very, very well, and he is supported by four fellow board members with extensive backgrounds in a range of relevant areas.

Hastings currently is a liquid bulk and general cargo port, with its two main tenants BlueScope Steel and Esso, who occupy a very small part of the area's zone for the port's potential future activities. While it is the responsibility of the Port of Hastings Development Authority to plan the future port, it is possible here to get an idea of what may be the possible future layout, which could potentially provide 2000 metres of berthing. One of

the advantages of this configuration is that it locates the port activity away from the populated areas of Hastings and allows more direct transport links to the north, where most of the market is.

Building in the port needs to be complemented by building transport links. In relation to Hastings's transport links, I anticipate the Western Port Highway corridor will become the main freight alignment corridor. VicRoads and the Department of Transport are already undertaking detailed work in conjunction with the Port of Hastings Development Authority on the next stage of that freight and logistics planning.

Developing Hastings will result in investment and local jobs. It will see the construction of a world-class container port using the best modern technology available that ensures Victoria has the capacity — in competition and complementary to the port of Melbourne — to confirm Victoria's role as the freight and logistics capital of Australia. The Port of Hastings Development Authority is a first step in developing that enormous extra modal capacity needed to serve the growing population in Victoria, and particularly the south-east.

I move now to local ports. This year's budget allocates an additional 25.7 million for Victoria's local ports, which are marked on the map here. This boost will supplement operational costs by an additional 2.8 million and provide an additional 22.9 million for critical local port infrastructure works. Local ports are significant enablers of economic growth, providing benefit to local economies of at least 557 million per annum and employing about 8000 people through the seafood industry alone. Local ports provide critical infrastructure servicing commercial and recreational fishing. They are also an important part of the tourism that we offer in country Victoria particularly. They contribute to local economies, enhance local community participation, wellbeing and identity and, as I said, they are used widely for leisure and tourism. The funds will be used to improve safety and ensure accessibility, and I look forward to providing further details of those funding allocations.

I also want to advise the committee that the new Marine Safety Act, which was passed under the previous government, will on 1 July come into operation and replace the Marine Act of 1988. This act introduced a range of new requirements, including an approved framework to ensure vessels are fit for purpose and those who operate them are properly skilled, safety duties for those responsible for marine safety and tougher penalties and enforcement tools to address non-compliance and to make sure the people who go out on the water in Victorian waters are safe and come home safely to their families.

In conclusion, we understand the challenges to manage the growth of our ports and manage the land side challenge that the growth will bring. We also want to preserve the competitive advantage our efficient intermodal supply chain brings to our agricultural and manufacturing industries, because an efficient port is nothing unless it delivers real benefits to its users. The greater efficiency of our supply chains and the greater opportunities for our exporters will deliver real wealth and real jobs for the people of Victoria. Thank you very much.

The CHAIR — Thank you, Minister. The remaining time — nearly 50 minutes — is allocated for questions on the ports portfolio. I ask you, Minister, given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within your portfolio? In responding to this question, could you please indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

Dr NAPTHINE — The Baillieu government is very focused on supporting growth and employment across the Victorian economy, and the ports play a critical role in delivering our jobs and our economic growth. They are also vital in addressing one of the key desires of this government — to improve productivity. The government particularly recognises that Victoria's freight and logistics sector represents a critical competitive advantage that we have over other states and territories, and that is why the port of Melbourne is the largest container port in Australia.

We want to make sure that we maintain those efficiencies and the effectiveness of our freight and logistics and the efficiencies, effectiveness and capacity of our ports. That is why we have announced a \$1.2 billion project to grow the capacity of the port of Melbourne to meet short to medium-term capacity. This is an issue that should have been addressed under the term of the previous government, but unfortunately they procrastinated and

dithered rather than making a proper decision about the development of capacity at the port of Melbourne and similarly with the longer term capacity of Hastings.

In less than 18 months we have made those decisions; we are well on the way to delivering on those things. The new terminal at Webb Dock will not only increase capacity but it will increase productivity and competition, because one of the key components of the new Webb Dock terminal will be that when the port of Melbourne goes for tender to look at stevedores productivity part of the key selection criteria will be that they will have to demonstrate how they will deliver improved competitiveness and advantages to importers and exporters through that competitive process. We are determined to keep our ports at appropriate capacity to meet the needs of our growing exports and imports. We are determined to make sure that we drive competitiveness and efficiency.

The budget also includes an initial allocation of \$4 million to support the Port of Hastings Development Authority in their initial work to develop the first stage of this port and begin the work which is absolutely essential in terms of environmental analysis, in terms of freight and logistic analysis and in terms of some of the business case analysis. In all those areas we are very determined to make sure that we have the capacity that is needed, we have the productivity that is needed and we have the competitiveness that is needed to drive our ports into the future.

The CHAIR — Thank you, Minister. Briefly, would you like to add some comment for the committee about what you consider to be the likely impact on industry and community stakeholders in your portfolio in respect to these initiatives?

Dr NAPHTHINE — With respect to the commercial ports, they are absolutely essential in terms of supporting our industry, including the retail industry, which relies on imports — and more and more of our retail industry relies on some form of just-in-time delivery and having product arrive from manufacturers overseas, land at the port and be unloaded efficiently and distributed in an efficient way. As operators of ports it is important that we provide that sort of infrastructure to suit their needs.

Similarly, as I outlined, more of our exporters are using containerisation for a lot of our agricultural products, and we have got to provide that capacity. It is great to see our ports of Geelong and Portland again expanding and adapting to suit the needs. In my own backyard of Portland it has been terrific to see the investment that has been made in catering for the growth of the hardwood plantation woodchip exports from the blue gum plantations and the significant export investments involved in the mineral sands exports from Douglas and further north into Ouyen and the Mallee. We are very focused on delivering a port system that is diverse, that is competitive and that has the capacity to meet the needs of our stakeholders.

On the issue of local ports, Chair, as you would be well aware, from one end of Victoria to the other our local ports are absolutely critical for commercial fishing and for recreational fishing, and we have seen absolute growth in recreational fishing, particularly in south-west Victoria with interest in the bluefin tuna. That has put significant demands on local ports and on boat ramps and facilities, and whether it be local ports, whether it be boat ramps and facilities, we are investing to grow those facilities to meet the needs of those stakeholders so that the community benefits from having a strong local port network, a strong network of safe boat ramps both for inland waters and for our coastal waters.

Mr PAKULA — I just seek some clarification before we start. It would be the opposition's intention to ask the minister some questions about Hastings, given the magnitude of the project in both the ports portfolio and major projects, particularly given that the Treasurer said it will be in HVHR. I just want to make sure the minister is comfortable with that, because if he is not, it will just impact on the order of our questioning.

The CHAIR — Minister, would you like to make an observation? I think what the deputy is saying is that you may get questions in this and the major projects portfolio.

Dr NAPHTHINE — I am happy to have questions in both, but if there are matters that I may need to seek advice from major projects, we might have to defer and get the answers later on.

Mr PAKULA — And maybe vice versa, I assume. You might need to keep Terry here.

Minister, in budget paper 5 there is a table on page 164 — table 4.2. It goes at the very bottom to the port licence fee, where there is an expectation in the next financial year that there will be receipt of \$75 million. You have previously indicated in the house that that money for the Port of Melbourne Corporation port licence fee would be allocated for infrastructure projects which improve Victoria's productivity, and I am wondering if the government has identified a project or projects where that port licence fee money will be applied.

Dr NAPHTHINE — Let me give appropriate background to the port licence fee. As members of the committee would be aware, the previous government was proposing to introduce a freight infrastructure charge, or FIC. The freight infrastructure charge was a charge that was to be levied on trucks going in and out of Swanson Dock, and this charge would be used to collect a total of \$75 million and this money would go to consolidated revenue. That was the proposal from the freight infrastructure charge.

At the time the freight infrastructure charge was announced there was concern from a number of stakeholders that the freight infrastructure charge was unreasonable, that it was unfair and discriminated particularly against small truck operators and regional and rural exporters. At the time from opposition we expressed some concern about the approach being taken by the government. We also expressed some concern about the costs of administration of the freight infrastructure charge process. Upon coming to government we determined to examine and consult with stakeholders about the future of the freight infrastructure charge and assess whether it was the best and most appropriate way to raise the revenue that was built into the forward estimates of \$75 million a year.

After some consideration and a lot of consultation with a wide range of stakeholders the government determined and announced that it would not proceed with the freight infrastructure charge and would replace it with a port licence fee. The reason for the port licence fee was to spread the impost over a wider group of port users rather than simply trucks going in and out of Swanson Dock. At the time that that was announced there was significant support for the position taken by the government. Indeed a press release on 13 July 2011 from VECCI says:

VECCI chief executive Mark Stone says the new licence fee on the port of Melbourne is 'not ideal but is better than the proposed ...

freight infrastructure charge —

VECCI is glad the state government consulted with industry and has acknowledged our concerns about the red tape burden the FIC would have imposed on operators using the port.

Indeed what he was referring to was the complex system of collection that was proposed under a freight infrastructure charge. It was estimated to have cost over \$100 million to set up the system to collect the freight infrastructure charge, whereas the port licence fee, which will see a levy or fee on the port of Melbourne, and they determine how it is collected.

On 13 July 2011 the VFF, Victorian Farmers Federation, said:

The Victorian Farmers Federation ... have claimed a decision by the Minister for Ports Denis Napthine today to scrap the freight infrastructure charge ... as a major win for the VFF and other Victorian industry groups.

Further, it says:

While there is more detail to come on the model to replace the charge, referred to as a 'licence fee', we understand it will be a much broader based collection system that will not have the same level of impact on exporters.

Further, the Victorian Transport Association says on 13 July under the heading 'FIC scrapping win for common sense':

The announcement today by the Victorian Minister for Ports ... Denis Napthine, that the coalition government has scrapped the freight infrastructure ... has been warmly welcomed by the Victorian Transport Association ...

'It's a win for common sense' stated VTA CEO, Philip Lovel ...

Further it says:

The announcement that the Port of Melbourne Corporation will be tasked with raising these revenues through — —

Mr PAKULA — It was a pretty straightforward question, actually.

Dr NAPTHINE — Well, you asked the question. I am giving you the answer.

Mr PAKULA — The question I asked you was about any projects that it was being applied to. That was the question.

Mr MORRIS — I take it that is the supplementary, Chair.

Mr PAKULA — That was the actual question.

The CHAIR — Deputy, unfortunately, it is not a matter for the members of the committee to determine how a minister will answer the question. The minister will get to your point, I am sure, in the fullness of time.

Dr NAPTHINE — The quote is:

The announcement that the Port of Melbourne Corporation ... will be tasked with raising these revenues through its normal schedule of fees and charges is the right way to go. It is a transparent process, overseen by the Essential Services Commission ...

What we have done is replace an unfair, inefficient, Labor-proposed freight infrastructure charge with a fairer, more equitable port licence fee, and that is recorded as returning \$75 million to the budget to make sure that we do not have a budget black hole through that process.

The CHAIR — I am sure that the deputy has a follow-up question.

Mr PAKULA — Chair, I just want it noted for the record that you were wrong; he did not get to my question. Let us try it in the supplementary. Minister, all the statements of support — I note you did not make any reference to Shipping Australia's view of it, which was nowhere near as complimentary as some of the others that you referred to. My actual question was: have you identified any projects that the \$75 million will be applied to as you indicated you would in the house when you made a statement on this back in December last year?

Dr NAPTHINE — Mr Pakula would be aware that the government has a range of freight and logistic transport projects across the length and breadth of Victoria that require enormous expenditure of funding, that will improve our freight and logistics system and that are all interlinked in terms of making sure we have an efficient supply chain and an efficient distribution chain and that are all linked to the efficiency and productivity of our ports. This money will be used through consolidated revenue for a whole raft of projects that will improve the supply chain to and from our ports.

Mr PAKULA — Or anything else, given that it is consolidated revenue.

Mr MORRIS — Minister, I refer you to budget paper 4, the state capital program, and in particular page 112, the Port of Melbourne Corporation 'New projects'. I wonder can you outline for the committee why the port of Melbourne's expansion at both Swanson Dock and Webb Dock is necessary?

Dr NAPTHINE — The port of Melbourne is Australia's busiest container port handling 38 per cent of the nation's container trade. Last year, as I said previously, we handled at the port of Melbourne a record 2.5 million 20-foot equivalent containers — an average of 6800 per day. Trade at the port is expected to double again in the next decade and to be 8 million TEUs by 2035. We are getting to the stage where the port of Melbourne is getting to capacity with its current container-handling facilities at east and west Swanson Dock. It must be remembered in this context that in terms of capacity of port, unfortunately the ships do not all come and go in an orderly fashion, so you need to have a buffer in your capacity to provide proper capacity because if one or two ships arrive together, then you have got to have capacity for those ships rather than leaving one out in the bay, because that affects productivity and efficiency.

We need to have adequate capacity, adequate berth space available at our ports. On 24 April the government announced a \$1.2 billion investment, including additional capacity at east and west Swanson Dock and the development of a new container terminal at Webb Dock. We expect that new container terminal at Webb Dock, when it is completed, will be capable of handling it least a million TEUs. It is expected that development at

Webb Dock will be completed by the end of 2016. It will create 2600 jobs in Victoria and increase the competition for stevedoring services.

This project will actually ensure that we have adequate capacity in the port of Melbourne for the short to medium-term future, and for the medium to longer term future we need additional capacity outside the port of Melbourne. That is why the government has already announced its commitment to the long-term development of the port of Hastings. This is an important decision; it is a vital decision for the future of the port of Melbourne and Melbourne and Victoria as a whole. But I can also say that it has been a very well planned and considered process so that, while we have got increased capacity, we are doing it with a well-managed process that works with the local community and works with the environment to make sure that we get the capacity without any detrimental effects on the community or the environment.

Mr SCOTT — Minister, I would also, in part, like to follow on from the previous couple of questions related to the expansion of Webb Dock and also the port licence fee. I really want to know: will the port of Melbourne be forced to raise their charges to port users over and above the port licence fee rates in order to service the extra debt — and I think the figure is about \$500 million — that they will be required to service as part of the Webb Dock development?

Dr NAPTHINE — I presume you would support the development of additional capacity at the port of Melbourne?

Members interjecting.

Mr SCOTT — We are seeking information from you.

Dr NAPTHINE — I would just be interested to know where you stand on the — —

Members interjecting.

The CHAIR — Order! Minister, could you simply respond to the question?

Dr NAPTHINE — It is a very reasonable question, and, as I said, there is the \$1.2 billion development of the expansion of capacity at Swanson Dock and the expansion of the development of a third container terminal at Webb Dock — a \$1.2 billion project. It is expected that of that — and I am always reluctant to talk in hard figures because some of this is subject to tender processes — —

Mr SCOTT — We are talking order of magnitude, aren't we?

Dr NAPTHINE — In order of magnitude, it is expected that about 700 million of that will be provided by the private sector through investment by stevedores through this process, and the \$500 million will be a cost to the port of Melbourne. It will be part of their normal costing process. They have a strong budget position, a strong capacity to deal with that, the same as the port of Melbourne has dealt with the costs of channel deepening — a significant cost to the port of Melbourne under the previous government. So this will be managed in the same way. The port of Melbourne will adjust its fees and charges on an annual basis, like it normally does, under the supervision of the Essential Services Commission.

Mr SCOTT — Is that a 'no' or a 'yes', to put it simply?

Dr NAPTHINE — I have answered the question.

Mr PAKULA — In regard to the port licence fee?

Mr SCOTT — Will there be additional — because it is a public non-financial corporation, it is not being subsidised in its operation in the same way as, say, a hospital is or a school, so it recovers the financing cost from the users.

Dr NAPTHINE — As I said, the port licence fee will be paid. If you want to talk about the port licence, it will be paid by the Port of Melbourne Corporation. The costs of the development at Webb Dock, their share of the cost, will be borne by the port of Melbourne, and they will use that in their normal budgetary processes in their adjustment of their fees on an annual basis, like they do each and every year — like they did when they

were incorporating the costs associated with the channel deepening — and it is subject to the consultation with stakeholders and subject to supervision by the Essential Services Commission.

Mr ANGUS — Minister, my question is in relation to the port of Hastings, and I refer you in particular to budget paper 3, page 66. It is a matter which you did touch on in passing in your presentation and also partly in an earlier answer. Can you detail where the development of Hastings to become an international container port is at, and why it is necessary?

Dr NAPTHINE — Transforming the port of Hastings to Victoria's newest container port over the next 15 years is certainly a key priority for the Baillieu government. It reflects, I suppose, a vision that was originally set out under Sir Henry Bolte some 40 or 50 years ago, when land was set aside for the development of Hastings as a key port because our forefathers, in their great wisdom and vision, recognised that the port of Hastings has enormous natural advantages as a port. It is a natural deepwater port with a significant draft which requires minimal dredging, and it is also very close to the main shipping channels, so you do not have a long steaming time from the heads to the port. It has some enormous natural advantages. Also the port of Hastings is closely proximate to one of the fastest growing areas of Melbourne in the south-eastern suburbs, and, due to the great wisdom of our forebears, there is an enormous amount of land zoned or set aside for port use.

The facilities of the port are largely owned by the state. The port is managed on behalf of the state by Patrick port holdings, a division of Asciano, under a port management agreement. The agreement includes provisions for Patrick ports to manage the port channels on behalf of the Victorian Regional Channels Authority. BlueScope Steel owns and operates a private and dedicated facility in the same area. The major trades through the port at the moment are oil, LPG, unleaded petrol and steel. In 2011, there were 103 ship visits and 2.2 million tonnes of trade.

What we have done since we have been in office is de-merge the port of Hastings from the port of Melbourne. We have established the new Port of Hastings Development Authority under the leadership of Yehudi Blacher, with a team around him of the highest quality. That includes Rod Chadwick as deputy chair, and Ms Claire Filson, Mr Geoff Craige and Mr Greg Martin as directors. We have allocated funding in this year's budget for the authority to commence its work. At the same time there has been significant work already being done by VicRoads, the Department of Transport and Major Projects Victoria working together in terms of the freight and logistics tasks that would be associated with the development of the port.

This is an important initiative because the port of Melbourne has a finite capacity, and we need to be able to cater for 8 million TEUs by 2035, and that simply cannot be managed within the port of Melbourne.

Ms HENNESSY — Minister, my question is in relation to the port capacity expansion program, which is referenced at page 112 of BP 4, and your acknowledgement that there will be at least 1 million containers handled at Webb Dock. If you assumed a 75 per cent efficiency in cartage, that is 750 000 truck journeys to the port and 750 000 truck journeys from the port — that is, an extra 1.5 million truck movements each year using the Monash West Gate M1. I was wondering, will you ban extra truck movements from using the M1 in peak times? What is your position on that?

Dr NAPTHINE — Certainly the development at Webb Dock is an important part of creating jobs and building the economy of this state to make sure we have adequate capacity. One of the advantages of the Webb Dock development is the proposal from the port of Melbourne, which is endorsed by the government, which is to develop this new port road to take trucks that are going to and from the port off Williamstown Road and take them off Todd Road. There are natural opportunities that already exist and the infrastructure for those trucks to go directly on and off the M1, which is a terrific advantage.

As you would be aware, while the M1 suffers congestion at peak times, there are significant times of the day when the M1 has capacity for additional traffic, and that can operate efficiently and effectively through CityLink, through our freeways and the Western Ring Road to distribute trucks and containers throughout our network. What we would be seeking to do in working in conjunction with the port of Melbourne and all the stakeholders is to introduce, as we develop Webb Dock, the most efficient, state-of-the-art traffic and transport management systems so that we can minimise the trucks' activities in peak times. The truck owners and operators have made it clear, and the Victorian Transport Association has made it clear, that no truck wants to be stuck in congestion. That is inefficient, it is costly in terms of time and money and it is not in the interests of

the owner of the goods, the owner of the truck or the operator of the truck. They want an efficient system to and from the port. What we are seeking to do is manage the port in such a way as to minimise the additional traffic during the congestion period.

Ms HENNESSY — In the absence of a ban, how do you stop a truck using the road in peak time? I understand the disincentive of congestion, but when you talk about a management plan, what does that do? How does that actually stop a truck using it in peak time?

Dr NAPTHINE — I am a humble veterinarian and politician, so some of the technology is in areas in which I am not the expert, but I am advised that already 40 per cent of the port of Melbourne's truck movements are at night, so already the trucking industry and the transport industry is seeking to use the transport network outside peak hours. We have significant and exciting emerging technologies in terms of the use of GPS in terms of providing information from the port to truck operators and from the truck operators to the port and from owners of trucks. The communications systems and the information systems that are portable on trucks are exponentially growing, so there is a greater opportunity for the managers of these systems to be able to tell their drivers and tell people on the road where and when they are best placed to operate on the road. It is that sort of technology that can be even further enhanced and further improved, so that when we are moving these trucks they can be managed in an appropriate way.

The other significant area that I should have mentioned before, Ms Hennessy, and I am glad that slide is up now because it reminds me. If you can see where the yellow dotted area is, that is the new Webb Dock, and the grey area is the Webb Dock, but if you go north between the M1, there is a road, the continuation of Williamstown Road, that is empty space at the moment. Part of the development plan is to put in that space a significant empty container park, so that there will be a significant storage of empty containers in that area there, right next to the port. One of the challenges for the shipping industry is the fact that our imports tend to be light and voluminous, and our exports tend to be heavy and concentrated.

Mr PAKULA — Bulk milk powder.

Dr NAPTHINE — Yes, bulk milk powder, wine and meat. So we tend to import a lot of containers that have got a lot of televisions and air, and export containers chock-a-block full of dry milk powder. So we generally have an excess of containers that need to be exported. Often at short notice you will get a vessel that requires a top-up of their load with a range of empty containers at short notice.

One of the dilemmas is that that does not have the capacity to perhaps — they need to be there quickly, and they have to battle the traffic at the time; they cannot time their run as well as they can if they have got a managed process. But having a large empty container parked right next to the port means a lot of that movement of empty containers from the empty container park to top up loads to manage that process can be done within that area, so they do not go anywhere near the M1, do not go anywhere near suburban streets. It provides a much more efficient and productive service to the shipping industry with significantly less disruption to the suburbs and our road network. That provision of an empty container park in that space is a significantly important part of this development.

Mr O'BRIEN — Minister, you touched on this in your presentation, but could you please provide details on the volume of trade through Victoria's ports at Geelong and Portland?

Dr NAPTHINE — Thank you, Mr O'Brien. I know of your interest in these regional ports. Our regional ports are a really important part of our commercial port network. They are really important in terms of jobs and the local economy, and as somebody who, proudly, comes from regional Victoria, I am really pleased to be able to advise the committee that our regional ports are going gang busters, to use a colloquial expression.

The port of Geelong is Victoria's largest bulk handling port, handling grain, logs, fertilisers, steel, woodchips, oil, petroleum products, automotive and aluminium. In 2010–11, 508 ships visited the port, carrying 14.2 million gross tonnes of cargo. Grain exports in 2010–11 increased by 400 per cent compared to the previous year, thanks to the break in the drought and better productive conditions for our farmers, which we all welcome.

The port of Geelong generates \$360 million worth of benefit to the Victorian economy and the local regional economy of Geelong and the south-west, and it is really terrific that the port of Geelong is going so well and so

strongly. The activity through the port channel is one of the issues that made it more difficult in terms of assessing the proposed relocation of the car trade to Geelong. Because of this increased activity through the port of Geelong, the increased activity through the channel imposed some limitations on the potential opportunities for the car trade, which is a downside, but the good side is that the port of Geelong is going extraordinarily well, and I think that is really terrific.

The port of Portland exports grain, mineral sands and woodchips from both the softwood pine plantations in western Victoria and the south-east of South Australia. Increasingly they are seeing lot of blue gum woodchips being exported. While that industry has had some ups and downs, the trees are now coming to harvest, there is a demand for hardwood woodchips in North Asia and there is significant demand for that industry. Exports also include aluminium ingots and livestock, and imports include alumina and petroleum coke, and we are seeing imports of wind tower components and fertiliser products.

Last year, 2011, there were 284 ship visits, and it is expected to rise to over 300 to 310 in 2012. Indeed last year's trade was 4.1 million tonnes, and it is expected to exceed 5 million tonnes to 5.4 million tonnes in 2012, which is the first time the port of Portland has exceeded 5 million tonnes, which is a great vote of confidence in the port. I think it is really is a tribute to the increased diversity of the trade and the good management of that port, and again we are working with them to make sure the logistics and the freight movements can manage that increased trade.

Mr PAKULA — Minister, I do not think I need a budget reference for the port of Hastings. We talked about it in the presentation and during some of your other answers. I think the minister would be aware that LeadWest had a study produced by Acom consultants. That report was reasonably critical of Hastings, particularly in regard to the reliance on the West Gate corridor and the difficulty of providing a standard gauge rail access through the south-east of Melbourne. That report was supportive of the Bay West port concept. It talked about some of the strategic advantages that make it worthy of comprehensive consideration — and I do not need to go through them, I am sure. My question is: is the government locked in behind the port of Hastings, or is the government prepared to give consideration to the comparative benefits of Bay West versus port of Hastings and conducting some kind of comprehensive benefit analysis of the two before making a final decision?

Dr NAPHTHINE — The port of Hastings is a natural deepwater port. It is very proximate to the shipping channels. It is very close to one of the fastest growing areas of the state, which is the south-eastern suburbs, which Mr Pakula, I think, would be familiar with in his capacity of living over on that side of town.

Mr PAKULA — I am familiar with most of Victoria — former minister for transport. Anyway, go on.

Dr NAPHTHINE — The port of Hastings is well placed to serve as the next container port for Melbourne. It has also had appropriate zonings so that it is well placed in terms of land availability. It is also well placed in terms of the Western Port highway corridor in terms of access, and indeed I am reminded that it is not only our government who recognises the benefits of the development of the port of Hastings. I refer you, Mr Pakula, to a document entitled *Port of Hastings Land Use and Transport Strategy*, dated August 2009.

In that document it says, and I quote:

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

I further quote — and let me quote this absolutely accurately:

No other port location offers the same overall advantages as Hastings ...

That is a quote from Mr Tim Pallas, Minister for Roads and Ports, who clearly, in August 2009, made it very clear that the port of Hastings was the outstanding choice as the next container port for the port of Melbourne.

With respect to other opportunities — Bay West or other locations — this government has its eyes and ears open. We are always looking at where are the opportunities for further development to meet our capacity beyond 2050 to 2100, because — —

Mr PAKULA — Do you reckon you might still be around by then?

Dr NAPHTHINE — Well, I have been around a long time now.

Mr PAKULA — You're not going to pretend you are going to do both, surely!

Ms HENNESSY — You're not getting any younger, Minister.

Dr NAPTHINE — We have a view, Mr Pakula, that it is the responsibility of government to provide for short to medium-term capacity growth, as we have through the port of Melbourne, for medium to long-term capacity growth through Hastings and to provide some assessment of the longer term vision and opportunities for this great state. That is what we are on about. We are a government that is about strategic planning, a government about vision and a government about the future. We are not afraid of making the decisions that are necessary to look after the port capacity interests of this state. We do not procrastinate; we do not dither. We make the decisions that are necessary, rather than putting them off. As I say, I do again suggest you read the *Port of Hastings — Land Use and Transport Strategy* document.

Mr PAKULA — Just briefly, well, I mean, you go on about your commitment and your vision. Instead of reading that, I am reading the budget papers. At page 66, budget paper 3, you have \$4 million for the port of Hastings in 2012–13. After that it is 'tba', 'tba', '.', then nothing. I suppose my question is: have you settled on a final time line for the development of the port of Hastings that you are actually prepared to commit to?

Dr NAPTHINE — We have appointed the Port of Hastings Development Authority, under the leadership of Yehudi Blacher. Given that he served governments of both persuasions with distinction, I think you would respect he is an eminent person to lead this.

Mr PAKULA — Indeed.

Dr NAPTHINE — I am pleased you endorse that. Therefore what we are doing is giving Mr Blacher and his team a chance to look at what is needed in terms of the port of Hastings development. We have given him a budget for this year. There will be further budgetary allocations according to need, according to the demands of the development process. We are trusting Mr Blacher and his team to put forward their proposals for the future funding and development needs of the port.

The CHAIR — As you alluded to in your presentation earlier, I have a very keen interest in local ports. In that context, I am interested in BP 4, page 49, the reference to 'Local ports critical infrastructure works' and the TEI of nearly \$23 million. Can you advise the committee, in relation to local ports, what the government's initiatives are in relation to improving facilities?

Dr NAPTHINE — As you would be aware, as you represent some of our great local ports, right from the Gippsland ports through Port Phillip Bay into the south-west, we have 14 local ports scattered across the coast of Victoria, with eight different local entities acting as port managers. Those eight local port managers, which include Parks Victoria, managing a significant number of our ports, Gippsland Ports and local councils, are all involved in port management. They provide services to the commercial fishing industry, recreational fishing, the boating industry and of course local tourism and amenity, and they deliver and manage infrastructure that is worth, estimated, over \$400 million. They provide economic benefits of \$557 million and employ a large number of people in the seafood industry and associated boating and tourism industries.

In this budget we have provided some additional money for local ports — as you correctly point out, \$22.9 million for local port critical infrastructure works and an additional \$2.8 million in terms of recurrent funding for our local ports, in addition to the normal recurrent funding. The critical infrastructure works that you referred to are targeted at where there are major works that are needed at certain ports. Now that the budget has allocated this funding, I will be seeking advice from the department as to the key needs, consulting with the local port managers so that we can maximise the use of that money to target key infrastructure needs. I must say that there are many, unfortunately.

We have had 11 years of substantial neglect and lack of investment in a lot of our local ports. Many of our local ports have had jobs half done or not done at all, and the infrastructure is suffering accordingly. So what we need to do as a department is to assess what are the most critical needs. This money, in difficult and challenging economic times — to have \$22.9 million in these very difficult times for critical infrastructure in our ports — is most welcome, and I can assure you that it will be targeted at areas of significant need.

The CHAIR — We have regrettably run out of time for this portfolio, so I will thank Mr Betts, Mr Garwood and Mr Oliphant for their attendance. We will adjourn for 5 minutes to resume to deal with the next presentation.

Witnesses withdrew.