

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2013–14

Melbourne — 14 May 2013

#### Members

Mr N. Angus  
Ms J. Hennessy  
Mr D. Morris  
Mr D. O'Brien

Mr C. Ondarchie  
Mr M. Pakula  
Mr R. Scott

Chair: Mr D. Morris  
Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr D. Hodgett, Minister for Ports;

Mr D. Yates, Secretary,

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

Mr R. Oliphant, Chief Finance Officer, Department of Transport, Planning and Local Infrastructure.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2013–14 budget estimates for the portfolios of ports, major projects and manufacturing. On behalf of the committee, I welcome the Honourable David Hodgett, MP, Minister for Ports, Minister for Major Projects and Minister for Manufacturing. From the Department of Transport, Planning and Local Infrastructure, I welcome, for the first time as Secretary, Mr Dean Yates; Mr Terry Garwood, Executive Director, Freight Logistics and Marine Division; and Mr Robert Oliphant, the Chief Financial 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 committee secretariat are to approach 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 me as chair. Written communication to witnesses can only be provided via the 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. Filming and recording must cease at the completion of the hearing.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the precincts of the hearing are not protected by parliamentary privilege, including any comments on social media made from the hearing itself. The 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 for fact verification within five 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 their receipt.

Following a presentation by the minister, committee members will ask questions relating to this inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both matters. However, I request that the minister answer each question as succinctly as is reasonable, recognising that many responses may include a degree of complexity. I ask that all mobile telephones be turned off or turned to silent, and I now ask the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the ports portfolio.

**Mr HODGETT** — Thank you, Chair. It is my great pleasure to be before the committee today in my capacity as ports minister. Indeed I am fortunate to have taken on this portfolio in such a dynamic period. This budget will be remembered as marking the beginning of the development of the port of Hastings, a point in the state's history when the government made clear its intentions to construct Victoria's second container port.

#### **Overheads shown.**

**Mr HODGETT** — Before I get into the detail on that commitment, I want to begin with an overview of the portfolio, beginning with the state's four commercial ports. As you can see from the slide, each of Victoria's four commercial ports performs a distinctive task. Portland and Geelong are key bulk and break bulk ports servicing regional Victoria, and the port of Melbourne is Victoria's only container port. The port of Hastings's main role is in liquid and bulk, following a decline in the break bulk trade.

In particular the port of Melbourne is going from strength to strength. Container movements through the port of Melbourne are increasing at a rate of about 6 per cent per annum, so planning for extra container handling capacity is a coalition priority. Melbourne is the nation's largest container port, handling 36 per cent of the nation's container trade. Nearly 2.6 million international, coastal and Tasmanian trade TEUs were handled at the port of Melbourne last year, up from 2.5 million in 2011 and a quick recovery from the GFC-induced fall of 2009. The long-term trend is upward, and forecasts based on relatively conservative growth figures indicate that the state will need capacity to handle a minimum of about 9 million TEUs by 2035.

There are a number of factors driving higher container volumes, and I want to share four key ones with the committee in my presentation. The first of course is population growth. The growing population will naturally drive more imports, more exports and more trade. The second key driver of container volumes is increasing trade. Victoria's food and fibre exports are growing strongly despite a tough economic climate and a high Australian dollar. Victoria is Australia's leading agricultural exporter, accounting for 29 per cent of farm exports. Dairy is our largest export by value, and the entirety of this trade leaves Victorian shores now in 20-foot containers.

The third key factor that is driving containerisation is Melbourne's ease of access compared with other Australian ports. Melbourne has excellent road and rail links connecting the port to the city, the hinterland and beyond. Unlike other Australian ports, Melbourne is also relatively congestion free. Members of the committee may be familiar with the port of Botany in Sydney; they will appreciate the advantages that the port of Melbourne holds in terms of being relatively congestion free. High-speed road links like the M1 and CityLink connect the port of Melbourne to the key freight-generating areas, and the port is also accessible by standard and broad gauge rail.

As a result of this Melbourne is capturing containerised freight from a much larger catchment than just the immediate vicinity. For example, containers are being railed from South Australia and southern New South Wales, in both cases because exporters are finding it easier to link with the port of Melbourne than with Port Adelaide or Port Botany. We also handle around 300 000 TEUs from Tasmania, most of that in export containers. Contestable trade is a key component of the port's trade, and actively servicing these markets is something we should pursue.

The final key factor driving expanding container volumes is the rise in the use of containerisation for export commodities. Victoria's agricultural industry has diversified into crops that travel best by container, and this trend is particularly evident in commodities like wine and vegetables — a good mix, Chair. Compounding this is the increasing containerisation of export grain. About 30 per cent of last year's export grain harvest was containerised, a rapid increase on the single-digit percentage of just 10 years ago. Thirty per cent, on last year's export grain figures, is now containerised.

Containerisation has become a very convenient way for small overseas importers to receive Victoria's output, particularly importers without the infrastructure to receive grain in bulk, and that is a trend being driven by the demand for small grain shipments, the cyclical availability of bulk ships as a result of competition from the mining industry and the effect this has on pricing. It is being driven by the availability of bulk unloading facilities at overseas ports and the convenience for end users of receiving grain in a container. Containerised grain cuts out the infrastructure and the middleman needed for bulk shipments. It means buyers of our grain can purchase in the quality they need as often as they like, direct from the exporter in Australia or even direct from the grower. So as we increasingly turn to Asia as an export market, it is more likely we will export more of our grain in containers rather than in bulk.

Containerised grain exports have increased substantially in the last decade, despite the fact that they cost more than bulk grain to transport. As you can see from the graph on this slide, containerised grain as a proportion of export grain varies from state to state. It is about 30 per cent in Queensland, about 30 per cent of Victoria's grain exports and 20 per cent of New South Wales's, but only 6 to 7 per cent of South Australian and Western Australian grain exports. Nationally non-bulk exports have increased more than 420 per cent since 2000–01 and are consistently in excess of 2 million tonnes per annum since deregulation of non-bulk exports in 2007.

**The CHAIR** — We are starting to get a bit short of time.

**Mr HODGETT** — I will rush through the last couple of slides. If you can see there, the move towards containerisation has been felt very strongly at the port of Melbourne. That just gives examples. In 2001, 215 528 tonnes of grain were exported, but 10 years later you can see the result there. In the next slide I have just highlighted three of the key factors driving up container numbers, and the government's role is to respond to that. I will not go through all that detail. I might get the opportunity to expand on that in some of the questions.

I just wanted to quickly flick to the development of Webb Dock as a container terminal. It will be accompanied by some extensive infrastructure upgrades. New road connections will enable Webb Dock to be connected

directly to Melbourne's freeway network, effectively directing port traffic away from local residential roads. I will not go through the process there of expressions of interest; suffice to say that that is moving along at a rapid pace.

The point on the next slide is just to show that the port capacity project, as it is known, is actually twofold. We will see consolidation of car trade at Webb Dock, but we will also see better use of the existing infrastructure at Swanson Dock. In the medium term it will allow the port of Melbourne to handle around 5 million TEUs.

The next slide looks at developing the port of Hastings. I will hopefully get the opportunity to come back and talk about the port of Hastings as Victoria's second international container port. You will know of course that in this year's budget we allocated \$110 million over four years to begin the process of creating this, and I will talk a bit about that perhaps later on.

Just to finish, the second last slide is Victoria's local ports. Our budget has not been solely focused on the state's commercial ports; an additional \$5 million has been provided in the 2013–14 budget through the local ports and marine safety initiative to improve access to Victoria's coastal and inland waterways, and this is on top of the \$13.5 million to support the administration and operation of Victoria's 14 local ports. There is 5 million in recurrent funding for the boating, safety and facilities program.

Mr Chair, that concludes my presentation on the salient points of the 2013–14 budget as it relates to the ports portfolio. It outlines the initiatives we have taken to begin the process of expanding capacity at the port of Melbourne as well as setting in train the development of the port of Hastings in the long term. I would like to thank the committee for their interest, and I would be delighted to take questions.

**The CHAIR** — Thank you, Minister. We have now got just under 50 minutes for questions on the ports portfolio, and I might start. Minister, in the context of the 2013–14 budget, can you outline to the committee examples of capital infrastructure projects in the ports portfolio which will either be commenced or completed in the coming financial year?

**Mr HODGETT** — Thank you, Chair. There are a number of significant infrastructure projects in the ports portfolio that I would be happy to outline for the committee today. I am sure the committee can appreciate that the government's priority is to secure Victoria's long-term leadership in freight and logistics. You would have heard me in my brief time in the job talk about Victoria being the freight and logistics capital of Australia, and we want to maintain that position and hold that as being the jewel in the crown. This can only be achieved, though, through the provision of adequate gateway capacity at our ports, and failure to provide this will mean increased congestion, disruption and significant costs to jobs, business and the economy. So in answer to your question, I would like to perhaps briefly talk on three areas: the port capacity project, the port of Hastings development and finally maybe talk about local ports. I will just touch on each of those because I may get the opportunity to expand on them later in the hearing.

Firstly, the port capacity project. The port of Melbourne port capacity project is a \$1.6 billion project funded by the Port of Melbourne Corporation and private sector — a significant investment. I was certainly pleased on what I think was my first full day in the job to go down there with the Premier and do that \$1.6 billion announcement. If only a minister could make those sorts of announcements every day in their portfolio. It is a significant investment down there. In addition to investing in expanded capacity, the Port of Melbourne Corporation has also budgeted for an extensive number of new projects. I refer the committee to budget paper 4 on page 113, which outlines those.

I will leave the port capacity commentary there. I will move on to the port of Hastings development, if I can, and briefly touch on that. As outlined in my opening presentation, the coalition government is investing to develop and create additional capacity at the port of Hastings by the mid-2020s. In the budget we have provided \$110 million over the next four years which will kick-start the development of the port of Hastings, accelerating planning for a multibillion-dollar container port capable of handling a minimum of 9 million containers. This is a very exciting project, Chair, and I think a game-changing project for our great state of Victoria.

Finally, if I can provide an update to the committee on local ports, this year's budget also contains \$13.5 million of ongoing funding for the operating costs of local ports. The state budget also provides an additional \$5 million in 2013–14 for essential works to local ports infrastructure to maintain safe access to the marine environment.

The government will also continue funding the boating safety and facilities program — a very important program — and this is a grants-based program with \$5 million provided for projects that include capital works. I should also take the opportunity to note that the 2012–13 budget provided \$22.9 million — nearly \$23 million — for critical infrastructure works at Victoria’s local ports, including \$15.3 million to complete the works at Mornington pier, with which you will no doubt be familiar, and \$2.27 million to extend the life of St Kilda pier. The completion of both the Mornington and St Kilda piers is scheduled for 2013.

I only wanted to briefly outline these capital infrastructure projects in my portfolio. However, I am more than happy to take additional questions and/or to expand on these projects and funding commitments.

**Mr PAKULA** — Welcome, Minister, and congratulations on the new gig.

**Mr HODGETT** — Thank you.

**Mr PAKULA** — I want to also deal with the port of Hastings. I do not think I need a budget paper reference, given the minister has already referred to it.

**The CHAIR** — That is right.

**Mr PAKULA** — As the minister is probably aware, there is a brief dated 15 February 2011 to Dr Napthine, the former minister, which talks in some detail about the port of Hastings and makes some assessments about its constraints. It refers to it only being able to accommodate up to 7 million TEUs, and being unlikely to meet all of Victoria’s additional capacity needs by 2050. There are some issues with the road-rail corridor — and I note from the presentation, Minister, that it looks like it goes right through the middle of my new electorate, so I am sure my constituents will have a bit to say about that. It also talks about the development of Bay West and some of the advantages of that, and says that it is an option which warrants further investigation as a possible long-term port facility location.

Given the nature of that advice, I am wondering if you can take us through the methodology that the government used to choose the port of Hastings, and what consideration was given to the advice with regard to Bay West as an alternative.

**Mr HODGETT** — Thank you, Deputy Chair, I thank you for the question, and I, too, should take the opportunity to congratulate you on your recent election.

**Mr PAKULA** — Thank you.

**Mr HODGETT** — The best way of doing this is probably to compare and contrast, if you like, Hastings to a potential port of the Bay West option, and then maybe to conclude by just talking a bit about what that \$110 million is to do, which will answer a lot of our questions in terms of planning, transport links and many others.

The first point I should make is that Bay West at the moment is just a concept, whereas Hastings is actually a functioning port. It had 89 ship visits last year and 2.8 million tonnes of trade passed through the port in 2011–12. It is a functioning port as opposed to a concept or a thought.

For a port to work — I am stating the obvious, I realise — you have to be able to get ships to it. A port in the west of Port Phillip Bay would have some major waterside difficulties. Hastings is a natural deepwater port, whereas for Bay West, I am advised, to handle larger ships, a port in the west of Port Phillip Bay could require about four times the dredging that was necessary when channel deepening occurred. So that would be four times the dredging if you were to pick Bay West and try to get some of the ships across to there. To put that in context, I am told that up to 100 million cubic metres of dredging may be required, where the channel deepening was 22 million cubic metres. It puts into context some of the issues you might face in a potential Bay West option.

If you think about the ships of the future, I am told they will be wider and they will be longer, so the process of getting them through the heads to the port of Melbourne, as it has been described to me, is not a matter of just driving up and driving through the heads. The ships of the future, I am told, would probably require the widening of the heads of the south channel. Again, you have to ask yourself, are you really going to blast rock to widen the heads there; and then you have got to ask what sort of implications that has to water flow in and

out of the bay. If you have any environmental credentials, you would be concerned about those sorts of things — water coming in and blasting away at that rock.

Only desktop studies have been done on Bay West. It is only a concept, there have been no detailed studies undertaken to determine how or when a port in the west would be established, and then if we talk about transport and logistics, there is no appropriately zoned land.

With Hastings, you had Henry Bolte in the 1960s reserve that mass amount of land around the port of Hastings — the vision! We could only hope to be thinking that far ahead now with that vision to preserve that land for port development in the future. There is none of that appropriately zoned land in the west of the bay.

All the advice I have got is that Bay West just simply does not stack up. It is just a dot on the map at the moment, a concept; and I will wind that up and talk a bit more about Hastings.

In terms of what I mentioned in my previous answer, and what I mentioned in my presentation, if you are going to reach capacity at the port of Melbourne by the mid-20s, even if we commenced today, Mr Pakula, on the Bay West option, there is no way it could be delivered by 2025. It does not stack up, it could not be delivered, it is not a natural deepwater port, it would require some major assessments of some environmentally significant changes there, before you even think about that. That would be my response to Bay West.

I also note, without being provocative about the previous government and the then Minister for Ports, your own facts supported the port of Hastings option, and the member for Tarneit is on record with a ringing endorsement for the port of Hastings. Why that has changed and why Bay West has become a concept of priority is beyond me, but it is probably not for me to explore that further in this environment. There might be another opportunity to do that at another time.

Can I just conclude my answer by saying that the \$110 million for Hastings is for the early planning work and will help us make a lot of decisions on the preferred scope, design and position of the works. Whilst the member asking the question made assumptions about where transport corridors may or may not go, a lot of this early work will help us make decisions on that. We are probably getting ahead of ourselves to pre-empt some of those studies. There are a whole range of studies here, dozens and dozens I could go through, from hydrogeology studies to transport studies to economic impact studies to environmental studies. There is going to be a lot of work carried out over the next four years that will help the government shape its decisions around scope, design and positioning and to commence work on developing the full business case for the preferred government's procurement and delivery strategy. I will perhaps leave my answer at that for now, Chair.

**The CHAIR** — Thank you, Minister. A supplementary?

**Mr PAKULA** — Yes, just briefly. Minister, you have made some assertions, which I am not questioning, about your advice and you also raised some questions about why the opposition has taken the view it has about Bay West. I indicate to you that the member for Tarneit has a letter dated a few weeks ago from the FOI officer in your department, along with a whole range of documents, including a comparative cost study of Bay West and the port of Hastings, a channel capacity simulation proof of concept, a scenario assessment, modelling assumptions, a rapid economic appraisal, a summary of proposed key direction strategies and actions, a site selection report — I could go on. They have been declared exempt in full. Let me read part of the letter to you. It says:

It would not be in the public interest to release documents which may open public debate on matters which are not reflective of any final view and remain subject to discussion and deliberation by the government. In the interests of sound decision making such work should be undertaken free from the constraints of public scrutiny.

Minister, if your advice is as clear cut as you say it is, could you not put all doubt to rest and release those documents so that we could all see them?

**Mr HODGETT** — Thank you again for the question. Chair, I might ask department officials to comment on FOI, given that is a function performed by them. But can I say that we get all sorts of advice, as you would well know, Mr Pakula, from your time as a minister. An example of that is exactly that of the member for Tarneit. In 2009 the member for Tarneit was saying:

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

...

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

...

I am particularly excited by the proposition to develop the port of Hastings ...

He also states:

The commonwealth government has joined with us in recognising the strategic national importance of development at Hastings.

I can only assume that Mr Pallas, the then Minister for Ports, had advice telling him this. If there is other advice to the contrary, I am happy to have a look at it, but there might be further advice again on top of that that says why Hastings is the better option.

I make the point though, as I did in my previous answer, that even if Bay West — the thought, the concept — was an option and you started now, it would not be ready by 2025. We would therefore lose ships. When ships go, they are very hard to get back. Can you imagine the impact on the Victorian economy and on jobs when you reach capacity and you have no other option? I am happy to ask the officials to comment on FOI, or we might be able to get you some further information on it.

**Mr GARWOOD** — Committee members, all I can comment on is that the provisions of the FOI act are referred to in the response, and that is the response. We have complied with the provisions of the FOI legislation.

**Mr PAKULA** — I suspect that will be a matter for VCAT.

**Mr ANGUS** — Minister, I refer you to pages 112 to 114 of budget paper 4, which covers some of the matters that you briefly touched on in your earlier presentation. Can you advise the committee how the government is working to ensure that Victoria remains the freight and logistics capital of Australia?

**Mr HODGETT** — Thank you for the question. As I have been stating since my time in the job, the port of Melbourne is Australia's largest container port, with approximately 3400 ships visiting per year. It handled 36 or 36-plus per cent — I am told 36 per cent — of Australia's total container trade in 2011–12. The port handled a record 2.58 million — so nearly 2.6 — TEUs, or 20 foot equivalent units, in 2011–12, and container trade I am advised is forecast to at least triple in volume by 2035. In summary, the port of Melbourne is Australia's largest and busiest container, automotive and general cargo port. We are the freight and logistics capital of Australia, as I keep saying, and we have had record growth, with nearly 2.6 million TEUs and 36 per cent of Australia's total container trade coming through the port of Melbourne.

I go back to the announcement I made, in conjunction with the Premier, in March where we announced the start of works at Webb Dock as part of the \$1.6 billion port capacity project at the port of Melbourne. This project will provide for increased container capacity at Swanson Dock, a new international container terminal and a new automotive terminal. The port of Melbourne is likely to reach capacity in the mid-2020s. Therefore the coalition government has moved decisively to establish Hastings as Victoria's second container port. If we do nothing, we are going to reach capacity. We need to plan so that when we reach capacity we are able to take on those additional containers.

As is stated in budget paper 4, which you have mentioned, \$110 million will be invested to develop Hastings. The fully developed port of Hastings will have the capacity to handle around 9 million TEUs. The development of the port of Hastings is very important, the increased capacity of the port of Melbourne is very important and a focus on transport links for moving freight will all contribute to cementing Victoria, as I keep saying, as Australia's freight and logistics capital.

In conclusion, the coalition government is getting on with the job of ensuring we have the necessary capacity. We are expanding the port of Melbourne, we are planning for the future at Hastings to meet the growing trade demands, to generate jobs and to boost the Victorian economy.

**Mr SCOTT** — Minister, in your presentation you made reference to the port of Geelong. The Legislative Council's Economic Development and Infrastructure Committee conducted an inquiry into local economic development initiatives in Victoria. Geelong Port made a submission to the inquiry outlining a number of projects that would be necessary for the continuing viability of the port. I am happy to provide that letter to the minister to be of assistance. It included things like the closure of a road, purchase of an unmade road, construction of rail, connection to the port for bulk and break-bulk cargo movements. Can you direct the committee to the location of any of these initiatives in the budget?

**Mr HODGETT** — Can we bring up slide 2, just looking at the port of Geelong? Through you, Chair, thank you, Mr Scott, for the question. If I can just talk a bit about the port of Geelong and then talk about some key announcements, albeit key announcements from last's budget, we will talk about some of the things that are going on down there.

The port of Geelong posted two consecutive years of record trade, involving a strong resurgence of grain trade, and in my initial presentation I talked a lot about grain and percentages and how that is getting moved around. In 2011–12 the port of Geelong handled 16 million gross tonnes, up 12.6 per cent on the previous year, and the value of trade for 2011–12 was \$7.6 billion. In 2011–12 grain exports were up 57 per cent on the previous year, and in 2011–12 630 ships visited the port, up from 508 in 2010–11. I give that background, if you like, because the port of Geelong is a significant asset, or a significant player, in the state of Victoria.

If I can just highlight a couple of the 2012–13 key announcements, that may address some of the points you have raised, Mr Scott. On 23 November 2012 we announced the upgrade of the Geelong grain loop — the axle load up from 19 to 23 tonnes, resulting in a 30 per cent productivity gain per wagon. The upgrade works were completed in January 2013 and approved by Transport Safety Victoria. El Zorro grain trains have now been benefiting from improved capacity for some weeks, with each train load carrying an extra 600 tonnes of grain. That announcement, as you can see, has delivered benefits in terms capacity for moving grain.

On 18 September — a great day every year — of 2012, we launched the *Economic Impact of the Port of Geelong*, commissioned by the Victorian Regional Channels Authority. The report indicated that the port of Geelong generates 360 million for the Victorian economy per year — so, flow-on effects for the Barwon region, including an additional \$205 million per year. The report also determined that the port of Geelong supports 1300 direct jobs and flow-on effects for the Barwon region in excess of 490 jobs for a total of 1790 direct and indirect jobs.

Mr Garwood, I do not know if you want to add anything to that, or I can talk a bit about some other works in Geelong.

**Mr GARWOOD** — Minister, that covers the work we are doing so far. There is some other work that has been proposed by the VRCA in terms of some channel maintenance work you may want to comment on that is being thought about at this stage.

**Mr SCOTT** — Just by way of supplementary, if the minister is not able to answer this immediately — any matters he is unaware of — have the matters that were raised by Geelong Port with the Legislative Council committee been acquitted, or are they still outstanding matters?

**Mr HODGETT** — Through you, Chair, that is the first I have seen of that letter. I would be happy to take that and see if we can get some further information on that for you if you like.

**The CHAIR** — Okay.

**Ms HENNESSY** — Chair, just with an indulgence, 18 September — its significance?

**Mr ONDARCHIE** — I hear 1963 was a great year. Is that right?

**Mr HODGETT** — It is both Danielle Green's and my birthday, Ms Hennessy.

**Ms HENNESSY** — Now we know!

**Mr HODGETT** — Both significant birthdays this year, I might add.

**Ms HENNESSY** — Who says these hearings are useless?

**The CHAIR** — Thank you for that further information.

**Mr O'BRIEN** — I would like to ask you, Minister, you had a slide there are about per annum growth in container movements, and I would like to ask you what action the government is taking to ensure that Victoria can handle its increasing container trade.

**Mr HODGETT** — I thank the member for the question. More than \$115 million has been invested in Victoria's commercial and local ports. Sorry, I should commence by saying, 'In short, we are investing to protect Victoria's economic future'. That is what this is all about — investing to protect the economic future of the state. So more than \$115 million has been invested in Victoria's commercial and local ports. As I said, forecasts suggest that Victoria's container trade is going to at least triple in the next 25 years. We have to turn our minds to this, if you like. You think, 'Over time, you have to turn your mind to it', because it is the point I made before: if we are at capacity and ships go elsewhere, it is an enormous task to get them back. When they are gone it is very difficult to get the ships back. They will go to other ports. They will have other logistical arrangements and agreements, and you will never, ever get them back. You can imagine what that is going to do to jobs, to the economy and to investment in Victoria — it is all gone.

The port of Melbourne, as I have mentioned, is undertaking a port capacity project, and when complete it is anticipated that that will handle approximately 5 million — I think 5.1 million might be the figure — TEUs annually. That will address the short to medium term, if you like. With the forecast increase in container trade, then, as I have said, the port of Melbourne will reach full capacity by about the mid-2020s, and therefore the coalition government has announced that the port of Hastings will be developed as Victoria's second container port to then look longer down the track.

The Port of Hastings Development Authority was established on 1 January 2012, and that is one of the first things we did on coming to office. We established that Port of Hastings Development Authority and appointed the board and chair. In recent times the new CEO has been appointed there, so they are getting on with the job — exciting times down there. As in budget paper 4, \$110 million has been provided to the port of Hastings — and I spoke about that — for the early work to be done there, so I will not elaborate further on that. Suffice it to say that the port of Hastings will be developed before the port of Melbourne reaches full capacity. It does take time; it requires planning. You would have thought you would turn your mind to this over a period of time, but we are planning so that as Melbourne comes to capacity we will have additional capacity elsewhere. As I have said, Hastings is a natural deepwater channel that will be able to accommodate the largest freight ships — the ships of the future — and the port is expected to be able to handle a minimum of 9 million TEUs and it will account for the forecast in Victoria's container port. As I have said, we have got a plan to invest so that Victoria can handle increasing container trade.

**Mr O'BRIEN** — Thank you, Minister.

**Ms HENNESSY** — I want to ask a question about the Transport Solutions project. Budget information paper 2 indicates that \$24 million has been set aside for that project. Can you tell us if that figure includes any money for the implementation of the truck action plan or any other bottlenecks around the port of Melbourne, the port of Geelong and Melbourne?

**Mr HODGETT** — I will answer this as best I can in terms of the port precinct, and then perhaps anything that I cannot cover may be best directed to the minister for roads and transport. Suffice it to say that the Victorian government is committed to reducing road, rail and port logistics bottlenecks through a targeted program of transport solutions. I think, as you have mentioned, \$32.1 million is provided for the Transport Solutions program over the next four years for regional freight initiatives, to enhance regional freight transport connections and to support the continued growth in regional Victoria.

In terms of what would come across my area of ports, Transport Solutions is designed to improve Victorian industry and business productivity and competitiveness, and it is a key component of Victoria's freight and logistics plan, which is in train — and I am happy to talk about that — and will provide a basis for prioritising and addressing transport bottlenecks in regional Victoria in the short term.

At this stage I do not think we are going to list individual projects, as I said at the outset, it would probably be best to talk to Minister Mulder, who is more likely to know about that funding in his portfolio area.

**Ms HENNESSY** — By way of a supplementary question, Minister, you just mentioned the \$32 million for the project, and budget information paper 2 indicates 24. You were using the language of ‘regional projects’, so if it is regional projects would that not tend to suggest that that money would not be expended on either the truck action plan or bottlenecks around Melbourne ports?

**Mr HODGETT** — The 32 million is a total, Ms Hennessy. Mr Garwood has a better breakdown; it is the total component.

**Mr GARWOOD** — Through the Chair, that \$32.1 million break-up includes a commonwealth government contribution and also local government and industry contribution as well. They take it up to that figure.

**Ms HENNESSY** — And just regional projects or — —

**Mr GARWOOD** — I think the minister has indicated we are not listing the projects.

**Mr HODGETT** — Yes, we are not listing them now. Has Minister Mulder appeared yet?

**The CHAIR** — Tomorrow.

**Mr HODGETT** — He may be best placed to address that. It is for me not to provide inaccurate or incomplete information on that.

**The CHAIR** — Heaven forbid. We would not want that.

**Ms HENNESSY** — Thank you for that fulsome answer.

**Mr ONDARCHIE** — I want to talk about the port of Melbourne. I refer you to budget paper 4, page 114. Could you tell us about the measures the port of Melbourne is taking to increase capacity?

**Mr HODGETT** — To make the points again as succinctly as I can, activity at the port of Melbourne currently contributes up to \$2.5 billion annually to the economy. In 2011-12 the port of Melbourne handled, as I have said, a record 2.58 million TEUs, so nearly 2.6 million TEUs. This is over a million more containers than a decade ago, so over that 10-year period you have got a million more containers.

I have also mentioned in my previous answer the port of Melbourne handled 36 per cent of Australia’s container trade in 2011–12. Container trade into Victoria is forecast to triple by 2035, so let me focus again on the port of Melbourne capacity project, as listed in budget paper 4.

In March, as I have said, the Premier and I announced the start of works down at Webb Dock as part of the \$1.6 billion port capacity project. As I have previously mentioned, that clearly sticks in my mind, because it was the first full day on the job and we were down with the Premier at Webb Dock announcing such a significant announcement there — \$1.6 billion. The project will provide a new international container terminal, a new automotive terminal, a new pre-delivery inspection hub and increased container capacity at Swanson Dock.

Again, it is important to note that there are two things here. When I talk about that announcement and talk about Webb Dock — —

If you look at slide 13 for developing Webb Dock, it is important to note that it is not just about a new international container terminal, the new automotive terminal or the new pre-delivery inspection hub. It is also about increased container capacity at Swanson Dock. The project will generate at least 1100 direct jobs and 1900 indirect jobs. It is very much about jobs, Mr Ondarchie, and our commitment to jobs. This project is going to create nearly 3000 jobs — 1100 direct and 1900 indirect — in the export, import and freight sectors.

These works will include the purpose-built road connections, a world-class automotive facility with additional shipping berths and much-needed on-dock pre-delivery inspection facilities catering for Victoria’s growing car trade, so that is a very important part of it all down there.

The transport links will be improved with a direct link to the M1. I think you will see that on the slide there; it is clearly shown where the transport links will be improved with that direct link to the M1. When works are completed the port of Melbourne will be equipped to handle around 5.1 million TEUs — doubling the number that is currently going through the port. Again, I think I made the point in a previous answer, Chair, that that 5.1 million TEUs will be sufficient to meet the state's short to medium term requirements until the port of Hastings become operational, which we think is maybe between 10 or 15 years time. So the entire project there, the port capacity project at the port of Melbourne, is expected to be completed by 2017 — in fact we might have the first cars rolling off in late 2016 — but certainly it will be completed by 2017. It will protect thousands of existing jobs, it will ensure the port of Melbourne remains Australia's busiest container port and it will keep Victoria, again as I have said, the nation's freight and logistics capital.

**Mr PAKULA** — I just ask you to turn to page 242 of budget paper 3. You have already given evidence about the freight volume task. I think you said it is set to treble over the next period of time.

**Mr HODGETT** — Twenty-five years, think.

**Mr PAKULA** — All right. I am just looking under the 'Output summary' at table 2.23; you have got the 'Ports and freight network improvements and maintenance' numbers. The budget for 2013–14 is 60 million, which is 1.2 per cent down on the budget from last year but actually more like 15 to 20 per cent down on the revised or actual figure of 72.3 million. I am just wondering why, if the task is increasing as consistently as you say it is, you are budgeting for a decrease in the 'Ports and freight network improvements and maintenance' output?

**Mr HODGETT** — I might ask Robert to comment on that if he can. He has got the details of that.

**Mr OLIPHANT** — The outputs are comprised of costs spread across the whole department, so they are related to not just special freight activities within the department but also costs that occurred in VicRoads. Occasionally there is one-off funding that has occurred in one year that is not then repeated in the next year, and that is essentially the reason why that has decreased. It is basically one-off funding related to VicRoads in 12–13 that has not continued into 13–14.

**Mr PAKULA** — Okay. If I can just explore that, Robert. So what type of VicRoads expenditure would find its way under the heading 'Ports and freight network improvements and maintenance'? I am just trying to get an understanding of what kind of work you are talking about.

**Mr OLIPHANT** — As it relates to VicRoads, the Minister for Roads is appearing tomorrow, so maybe if we could take that on notice for tomorrow?

**Mr PAKULA** — Okay, I suppose we could do that. But you are saying it is VicRoads money that is being taken out rather than port money?

**Mr OLIPHANT** — Yes. It primarily relates to VicRoads, one-off funding that was in — or funding that had been carried over into 12–13 that does not continue on into 13–14.

**Mr PAKULA** — Okay.

**The CHAIR** — We will explore that tomorrow.

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 56. Minister, I ask: what is the government doing to improve access to coastal and inland waterways for recreational and commercial users?

**Mr HODGETT** — I have brought that slide up just so you can see the number of local ports. In this budget more than \$115 million is being invested in Victoria's commercial and local ports. The coalition government is committed to providing safe access to Victoria's coastal and inland waterways. That is very important — always a high priority for us. As specified in budget papers 3 and 4, but I think I have got here budget paper 4, \$5 million in funding will be provided to local ports to maintain safe access to the marine environment. You can see from the slide, Victoria's 14 local ports provide a range of commercial and recreational benefits to Victoria and Victorians, and improvements to these assets and services are vital — obviously continuing to invest in them and upgrade them and to keep them safe and accessible for people. Local ports contribute more than the \$557 million annually to the state's economy, and this additional \$5 million of funding will enable those local

ports to provide important infrastructure for commercial fishing, recreational boating and tourism. You can see around the coastline there, there are any number of spots where commercial fishing, recreational boating and tourism take place.

Examples of projects that could be funded: we have that \$5 million set aside and we will see what priorities come up, but by way of providing the committee with some examples, what could be funded includes dredging for improved and safe boating access — I think a bit of that goes on down at Lakes Entrance, does it?

**Mr GARWOOD** — Yes.

**Mr HODGETT** — Asset maintenance and development of local piers and jetties. There is always a long list of those that are assessed, and works to be done to keep them safe. Marine safety is something that cannot be taken lightly, and I am pleased that the budget has provided additional funding to improve facilities at local ports. I take it that has answered your question, but I might just see if any one of the officials wants to add anything to that, Chair.

**Mr GARWOOD** — No, Minister.

**Mr SCOTT** — Minister, I refer you to budget paper 5, page 176, and the financial accommodation levy, where it states that the amount of the financial accommodation levy charged to public non-financial corporations is being uncapped. Effectively this amounts to an increase in the tax on public corporations borrowings. The revenue is projected to increase about 250 per cent over the forward estimates, which is in budget paper 5 on page 172. Minister, the budget papers specifically mention the port capacity project as being impacted by this change. Are you taking any steps to ensure that the cost of this tax increase is not passed on to Victorian import and export businesses?

**Mr HODGETT** — Thank you for the question. I am informed that the reference you have made, Mr Scott, is the responsibility of the Treasurer, and it really should be taken up by the Treasurer.

**Mr SCOTT** — On a point of order, Chair, I did not ask about the change in the tax per se. I asked what steps were being taken by the Minister for Ports to ensure it was not being passed on to import and export businesses, which is the responsibility of the minister.

**Mr HODGETT** — I will add that it is achieving its objective in that it aligns with the objectives of competitive neutrality, as government business enterprises will then be charged a commercial rate for borrowings based on their underlying credit ratings. So it is achieving its objective, but any other detail on that I think is the responsibility of the Treasurer.

**Mr SCOTT** — By way of supplementary question, because I think the question is being misunderstood by the minister, with all due respect. I am not asking about the change in tax per se. I am asking about the impact that that tax will have on port businesses, and whether any steps are being undertaken by the minister to ensure that those price increases are not being passed on to the ultimate users of the port businesses who import and export. So I am asking whether you have undertaken any steps. If you have not, that would be an appropriate response. But I am not asking about the decision to increase the tax. I am asking about the impact it is having through to port users.

**The CHAIR** — On the portfolio.

**Mr SCOTT** — Yes, and whether any steps have been taken by you to mitigate that.

**Mr HODGETT** — As I understand it, there is no need for me to take any action, because if the rate is passed on it is passed on at the commercial rate, and that is appropriate in the circumstances.

**Ms HENNESSY** — That is an appropriate answer to the question.

**Mr HODGETT** — Does that answer the question?

**Mr SCOTT** — Yes, it does.

**Mr O'BRIEN** — Minister, I would like to ask you further about the transport solutions initiative that you were asked earlier about by Ms Hennessy. I refer to budget paper 3, page 58, and I just ask if you could elaborate further on what the funding for transport solutions will solve?

**Ms HENNESSY** — I asked that question, and he said he could not answer it.

**Mr O'BRIEN** — You asked about the rural — —

**The CHAIR** — Order!

**Mr O'BRIEN** — I am happy with my question, and I am going to keep it that way.

**Mr HODGETT** — Chair, I am happy to elaborate on it, but, as I think has been pointed out, apart from me perhaps talking on anything that is in the port precinct or providing detail around that, it is probably a question that is better taken up with Minister Mulder, who I think is appearing before the committee tomorrow. I probably do not have anything to add, given that a similar question was asked earlier. I will just check whether the officials want to add anything more to that.

**Mr GARWOOD** — I just want to comment that transport solutions is going to provide a basis for prioritising and addressing transport bottlenecks in regional Victoria in the short term. Details beyond that will be a matter for Minister Mulder to talk about.

**Ms HENNESSY** — If I could take up the evidence that you gave in respect of dredging when it comes to the port of Hastings versus Bay West, is it a fact that a group called Hyder Consulting provided written advice to the government that says the amount of dredged material required for both Bay West and Hastings is about the same?

**Mr HODGETT** — Thank you for the question. No, I certainly have not received that advice and am not aware of that advice. The thing I mentioned before was that in terms of a Bay West option to handle those larger ships I spoke about, which are bound to be longer and wider in the future, coming through the heads — and if they are going to not only get up Western Port Bay but also get across to a particular point or dot on a map that might be a Bay West option — my notes indicate that around four times the amount of dredging may be necessary as compared to the channel deepening project. I will use the figures, if you like, as an example: up to 100 million cubic metres of dredging may be required, whereas the channel deepening project was 22 million cubic metres.

**Ms HENNESSY** — Is the department aware of that advice?

**Mr ANGUS** — Let the minister finish.

**Mr HODGETT** — I have checked with Mr Garwood and he is unaware. If you wish, I am happy to try and locate further information about where I got those sources.

**Ms HENNESSY** — That would be terrific, thank you.

**Mr HODGETT** — But I am not aware of any direct comparison with Hastings, which, as I have said, is a deep water natural port.

**The CHAIR** — Thank you, Minister. That concludes the hearings for the ports portfolio. We will pause for a couple of minutes to allow the personnel at the table to change.

**Witnesses withdrew.**