

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2015–16

Melbourne — 22 May 2015

#### Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Dr Rachel Carling-Jenkins

Mr Tim Smith

Mr Steve Dimopoulos

Ms Vicki Ward

Mr Danny O'Brien

#### Staff

Executive officer: Ms Valerie Cheong

#### Witnesses

Mr Luke Donnellan, Minister for Ports,

Mr Richard Bolt, Secretary,

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services Group,

Mr Gary Liddle, Lead Deputy Secretary, Transport Group, and

Ms Vicky Hudson, Executive Director, Ports and Network Integration, Transport Group, Department of Economic Development, Jobs, Transport and Resources.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2015–16 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Ports, the Honourable Luke Donnellan, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services Group; Mr Gary Liddle, Lead Deputy Secretary, Transport Group; Ms Vicky Hudson, Executive Director, Ports and Network Integration, Transport Group; and Mr Nick Easy, Chief Executive Officer, Port of Melbourne, who is a potential witness in the gallery.

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 hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Departmental officers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media are to observe the following guidelines: cameras must remain focused only on the persons speaking; operators must not pan the public gallery, the committee or witnesses; and filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

### **Visual presentation.**

**Mr DONNELLAN** — Thank you, Chair. I will briefly begin the portfolio key objectives. As a ministry, we are here to support the Port of Melbourne lease transaction and the sale of the leasehold; to ensure that Victoria ports and their transport links have sufficient capacity in the future; to develop and manage governance arrangements for port entities; to maintain ocean access at Lakes Entrance, where there is an urgent need to procure replacement dredging; and to deliver the government's local ports program, including the Portarlington safe harbour project.

Ports are part of an efficient supply chain to support the Victorian economy. Whole-of-supply chain efficiency is supported through a number of cross-portfolio initiatives and policy. For example, there is bridge strengthening for freight efficiency, a \$75.7 million program of works dispensing 52 bridges across Victoria, to be delivered over the next four years. Project costs range from \$0.2 million to \$9 million for the first contract, to be released in late 2015.

Freight route assessments: VicRoads is undertaking a program of bridge assessments to identify required bridge strengthening to provide high-productivity freight vehicle access to Victoria's principal freight network connecting to Victorian ports; the Ministerial Freight Advisory Council is the key mechanism for senior freight industry representatives and stakeholders to provide input into government freight policy; and the Murray Basin rail project will upgrade and standardise major freight lines linking Mildura and Geelong. The budget commits between \$180 million to \$220 million to this project, and it will provide enhanced access to the ports of Geelong, Portland and Melbourne.

The next slide just highlights the spread of projects we are undertaking in relation to the strengthening of bridges across the whole state.

The next slide highlights our commercial ports: the port of Portland, the port of Geelong, the port of Melbourne and the port of Hastings. We have also got our 14 local ports managed by eight local port managers, serving local industry, tourism and the community.

Regarding boating safety facilities program grants, there is \$8 million per year available for recreational boating grants. Funding is available for the following categories: boating infrastructure, master planning for significant boating projects, search and rescue, and aids to navigation. We are also responsible for maritime safety arrangements as well.

Looking forward, the government is committed to leasing the port of Melbourne to the private sector. Lease proceeds will go to the Victorian Transport Building Fund to be used to support projects like removing our 50 worst level crossings, Melbourne Metro and other important transport initiatives. The port of Melbourne is a significant state asset that provides a competitive advantage for Victoria and assists in maintaining jobs and industries within our state. After the lease process this will continue to be the case. I am supporting the Treasurer as he oversees preparations for the lease transaction. Policy settings will maximise the overall economic outcome for all Victorians. This is a critical part of the transaction. We will run a competitive bidding process and anticipate strong market interest. The government will be in a position to make further announcements on the lease transaction in the near future.

Looking forward, I thought we might also mention the second container port. The ability for Victoria to maintain efficient container port capacity is critical to growing Victoria's employment and maintaining our economic growth. With the impending lease of the port of Melbourne and the development of Webb Dock through the port capacity project, the government very much has time to determine the best option for a second container port. Development of the second container port will be demand driven, with timing determined when the port of Melbourne reaches capacity. Government policy is to seek independent advice from Infrastructure Victoria about Bay West as an alternative site to Hastings for Victoria's second container port. The government is working to establish Infrastructure Victoria, as I previously mentioned, by early 2016.

Budget initiatives for 2015–16 include the Gippsland Lakes ocean access — improving maintenance dredging. The Gippsland Lakes support the state's largest commercial fishing fleet and substantial recreational boating activity. Without ongoing dredging, the ocean access at Lakes Entrance will silt up and close. A procurement process is underway to identify the most cost-effective means of providing dredging when the current contract concludes. I expect the outcome of the procurement process will be known later this year.

The budget commits \$12 million to the Portarlington Pier project. This is in addition to the \$3 million that is funding the current works underway reconstructing the Portarlington Pier.

Lastly, I will make mention of the Port of Hastings Development Authority. That is obviously going to have an ongoing role to manage and operate the day-to-day operations at the port of Hastings and facilitate bulk opportunities. The government has suspended work on the business case and approvals for a second container port to allow Infrastructure Victoria to give proper and rigorous consideration to the preferred location. We have adjusted POHDA's funding and workforce to reflect our port policy. Through this budget we have reallocated around \$67 million to other commitments. I think I will leave it at that, and I am happy to take questions.

**The CHAIR** — Thank you, Minister. I will lead off with the first question. In the context of the 2015–16 budget with respect to the ports portfolio, can you advise how the government has acquitted its election commitments in *Labor's Financial Statement*?

**Mr DONNELLAN** — I guess our largest commitment in that space is the leasehold sale of the port, and the government is getting on with that commitment to recycle the proceeds to invest in vital infrastructure projects, including the 50 level crossings that we so often talk about and which are so important. To date we have identified 17 of those that we will obviously proceed with. The government will run a well-managed and competitive bidding process. Fixing those level crossings will greatly improve efficiency in terms of car movements across the state, and in terms of congestion it makes a great contribution to that.

The government has also committed \$12 million towards the development of the Portarlington safe harbour project, which will deliver some of the major marine facilities detailed in the 2009 master plan. A further \$3 million is currently being expended in the construction of the new 175-metre section of the pier. I was recently down there and saw that section. It looks very impressive.

Also in the freight and road space, which very much links in with the ports, the Victorian government has committed \$42.8 million to be spent on a total of 52 bridges along major freight corridors around the state. Once strengthened, these bridges will reduce transport costs to the freight industry and, as I was mentioning earlier today, I was at Tyers Road at Traralgon, and it just highlighted that a 15-kilometre diversion — —

**Ms WARD** — A great place, Traralgon.

**Mr DONNELLAN** — I was with an upper house member for Eastern Victoria Region. A 15-kilometre diversion each day, or 30 kilometres back and forth, is a major problem. Of the 52 bridges, 31 are along major freight routes such as the Hume Highway, the Goulburn Valley Highway, the Western Highway and the Monash Freeway.

Lastly, the government is committed to keeping Lakes Entrance not silted up, more than anything else so that our commercial fishing fleet can get in and out. There is a large recreational fleet there as well.

**Mr MORRIS** — Minister, budget paper 5, page 23, the port of Melbourne lease, but you also referred on a number of occasions to the port during your presentation, which is not surprising as Minister for Ports, I guess. Given the port of Melbourne is proposing rental fee increases of 750 per cent — more than five times the recent rent increase at the port of Brisbane or Port Botany — are you aware of the catastrophic impact that a rent increase of that magnitude will have on the viability of 300 direct jobs and thousands of indirect Victorian jobs, competitiveness, investment and the risk posed to the port of Melbourne's current economic advantage of being the main container freight hub of Australia? Can I ask why you have not commented on this issue? And will you now intervene to resolve it before it gets completely out of hand and before proceeding with the lease transaction?

**Mr DONNELLAN** — A couple of things. There is no 7 or 800 per cent increase, these are current negotiations in relation to a lease.

**Mr MORRIS** — That the port is proposing.

**The CHAIR** — Order!

**Mr DONNELLAN** — This is a very normal part of negotiations. Having worked in the property industry for many years, what you have is a lease, you have an offer provided by the Port of Melbourne Authority. There is a counteroffer by the tenants. Then, if the landlord and the tenants cannot agree, an independent, third-party valuer is appointed. That independent, third-party valuer will look for comparable rates in terms of square metre or square foot rates for the leasing of dry land in relation to the port. They will look at maybe Port Botany as a comparable. They might look at the port of Brisbane as a comparable. They might look at the lease transaction undertaken by the previous government with VICT as a comparable. That is a normal part of assessing a market-based rental.

Is this something that the minister should intervene in? I think it is very dangerous for a minister to suggest that he or she would be able to assess what a market-based rental there would be. It would be inappropriate that a minister intervene and start telling the port of Melbourne or the lessees what rate they should or should not pay. This is very normal. This happens every two years down at the port of Melbourne. Let me make it very clear: there is no 700 or 800 per cent increase, full stop. That is bunkum. That is a load of rubbish. They are currently in negotiations. I understand a third-party valuer has been appointed. That third-party valuer will then look for comparables. That is the process.

**Mr MORRIS** — Certainly whether you call it a rent increase or whether you simply call it an ambit claim, 750 per cent is one hell of a figure.

**Ms SHING** — And bunkum, as he indicated.

**Ms WARD** — He is one hell of a minister.

**Mr MORRIS** — No, he said there was no rent increase; he did not say there was not an ambit claim.

**Ms SHING** — I think the word was 'bunkum'.

**Mr MORRIS** — Minister, it seems that you are prepared to risk 300 direct jobs and thousands of indirect jobs. An increase of that magnitude is simply not sustainable. I ask again: are you prepared to intervene, as the Treasurer has done with regard to the Tasmanian firms?

**Ms SHING** — Point of order. It sounds to me that you are asking as a supplementary question the same question that you asked as your substantive question and that has already been answered by the minister. I do not see how it is in fact a supplementary when it has been asked and answered.

**Mr MORRIS** — On the point of order, Chair, in the substantive question I was doing the minister the courtesy of asking him in his own right would he intervene. Given that he said he will not, I then indicated, as part of the question, that the Treasurer has been prepared to intervene and has done a deal with the Tasmanian government. I am asking the minister, if he will not act in his own right, given that his cabinet colleague has intervened on behalf of the Tasmanian government, will he now intervene on behalf of those 300 direct employees and the thousands of other indirect jobs that are now at risk.

**Mr DONNELLAN** — I am very happy to answer that. One: the Treasurer has had discussions, he has not intervened. He has not set a market rate. He has not done anything of the sort. The statement by the Deputy Chair is totally and utterly incorrect and inappropriate in the circumstances. The suggestion that I would want to put 300 jobs at risk is also hysterical. It is totally irrational for a member of Parliament to suggest — especially coming from the Liberal Party, I would have thought — that the free market should not be allowed to run its course. Suddenly we are going to become communists overnight and intervene and decide what the market-based rental of the marketplace should be. I do not intend to be a communist now and I do not intend to be a communist in the future, so I would suggest we let the market reign supreme.

**Mr T. SMITH** — I am so glad the right has reunited — you cannot let these lefties run it forever, mate. Well done!

**Ms WARD** — I could not understand a word you said then, Mr Smith.

**Mr DONNELLAN** — He was telling me I am a grand gentleman; that is what he was saying.

**Ms SHING** — It is probably not the right forum, Minister, for you to be declaring whether you ever have or would be a member of the Communist Party. I suspect that we are probably about 50 years out of date for that sort of statement.

**Mr DONNELLAN** — My family was DLP, so they were sort of anti-communist, I would suggest.

**Mr MORRIS** — I am sure the CPA is relieved.

**Mr T. SMITH** — There are some redeeming features in you, Minister. It is good to see.

**Mr DONNELLAN** — Thank you, thank you!

**Ms SHING** — Come on, you two, hug it out!

**Ms WARD** — I did not know you cared so much, Mr Smith!

**Ms PENNICUIK** — Going back again to budget paper 5, page 23, and to your presentation regarding the proposed lease of the port of Melbourne and indeed to your answer to the question from the Chair regarding the proceeds of that leasing arrangement. The minister would be aware that there have been recent media reports that the proceeds from the sale or lease of the port will bring in significantly less than expected or than is provided for in the budget. How are you able to refute these claims, or what comments do you have on that one?

**Mr DONNELLAN** — Okay. That is a report of the previous government, so I have not actually seen the report. Let me say that first and foremost. We as a government will very much be looking to maximise returns for all Victorians that we get from the leasehold sale of the port. Ancillary projects or additional projects like the West Gate distributor and the western distributor will certainly add value to that proposition. I do not know how much — and I am not even going to make a guess at the quantum — but let me make it clear in terms of that assessment my suspicion is that assessment undertaken by the previous government did not include the fact that we would also be having a more efficient link to the port for freight and related industries, and, hopefully, as we

were talking about earlier on, that we would have a direct link of rail into our inland ports from the port of Melbourne. I have not read that report, so it would be inappropriate for me to be suggesting whether it is right or wrong, but we will certainly be trying to maximise the price so we can actually undertake those projects we want to, like the 50 level crossings.

**Ms PENNICUIK** — That is interesting, Minister. You say you have not read it. Obviously the *Herald Sun* has possession of it. I am not sure whether the minister is trying to get possession of it, but the fact is this is information that is now in the public arena and does affect one of the key points in your budget, which is the sale or lease of the port, and with that flowing on to your level crossing program as well as other things. In your answer you went on to talk about inland freight et cetera that you were encouraging the bidders to do. I think that brings us to the question as to why the government will not release the documents with regard to the tender, or release to the public a business case for this.

**Mr DONNELLAN** — In terms of why we will not release documents to the public yet, it is because we are running a tender at this stage, so it would be pre-emptive for us to do so. In due course those things would be released, but until we have actually completed the tender, we leave it out. I do not think that would be a sensible thing to do, full stop.

**Ms PENNICUIK** — The public has only your assertions as to what will or will not be included — what the bidders will be required to do with such a valuable public asset.

**Mr DONNELLAN** — Sorry, is that a question or a statement?

**Mr DIMOPOULOS** — It cannot be a question, Chair, because — —

**Mr DONNELLAN** — Sorry, I was not being smart. I was waiting for the final bit.

**Ms PENNICUIK** — The documents have been called for in the upper house. That was agreed to by everybody and the documents have not been released.

**The CHAIR** — I think the minister has answered the question.

**Ms SHING** — Minister, I would like to take you to budget paper 4, page 17, if you do not mind.

#### **Members interjecting.**

**Ms SHING** — You love this exchange, don't you, Mr Morris? You don't want to love it but you love it. This is democracy at its very, very best. Minister, can I take you to budget paper 4, page 17, the new projects section and to the line item 'Maintaining ocean access for Gippsland Lakes'. This is an area which is of crucial importance to East Gippsland as far as the riparian waterways and lands around the area are concerned and to recreational and commercial fishing activities as well as the extensive tourism and ecotourism markets that the area is famous for. Can you update the committee on this project and clarify what the project will actually do for the Gippsland Lakes and the larger recreational fishing community located near Lakes Entrance? I note also that this does have significant overlap with the Minister for Environment, Climate Change and Water's portfolio and she has dealt with that as far as the ministerial advisory council is concerned and what that will mean for the river system itself. But again, if you could talk about what the recreational fishing community will get out of this and what the project in terms of ocean access will mean more broadly within your portfolio, that would be good.

**Mr DONNELLAN** — It is an area we have to very much keep providing access to. When I was a young boy when I came back from Italy it was the first holiday I went on. I had never seen such a beautiful place in my life. When you come down into Lakes Entrance and — —

**Ms SHING** — The Ramsar convention would agree with you there, Minister.

**Mr DONNELLAN** — That is by the by. I am sorry; that is irrelevant. But it was an incredibly impressive view that you got when you drove down the road.

**Mr D. O'BRIEN** — One of the best in the state.

**Mr DONNELLAN** — That is God's own country, we are saying. The government is very much committed to ensuring access to Lakes Entrance is maintained. The maintenance of safe navigation at Lakes Entrance is important to commercial fishers and other users of the port of Gippsland Lakes and to the Victorian economy. I think it is the largest commercial fishing fleet in Victoria and the largest number of recreational fishers in Victoria use that area. Natural coastal processes necessitate ongoing dredging to maintain the entrance channels at Lakes Entrance. Dredging has occurred in that area for over 100 years. If the dredging did not occur you would actually have flooding. As the lakes feed into Lakes Entrance you would have flooding of a whole lot of the towns and so forth, and so it is actually required.

Currently it is being undertaken by Van Oord Australia Pty Ltd under a contract with the port manager, Gippsland Ports. That contract ends in December 2015. Commonwealth and state approvals I understand are in place to continue the dredging, as you had indicated in your question. In October 2014 Gippsland Ports commenced a procurement process which had the objective of maintaining access to the Gippsland Lakes at Lakes Entrance in the medium and long term. That process is ongoing. Gippsland Ports is scheduled to conclude the negotiations with the preferred service provider in the second half of 2015.

I understand the funding amount we have allocated is not identified in the budget directly because we are going through that procurement process to ensure that who we procure from do not know how much money we have allocated for the project. But it is an essential project. It is a magnificent recreational area for the community, as we are well aware, but for our commercial fishermen it is essential.

**Mr MORRIS** — Chair, if I may be allowed a little bit of a preamble with this one.

**The CHAIR** — Of course. It is Friday afternoon and it is our last day.

#### **Members interjecting.**

**Mr DONNELLAN** — How long is the preamble going to be? A good half-hour?

**Mr MORRIS** — Minister, just following up on my earlier question regarding the port and the lease, can I quote from a post on the ABC News website, first posted on 20 May at 8.27 a.m. and then updated at 11.04 a.m. The headline is 'Tasmanian exporters to be protected from port of Melbourne fee hikes after deal struck, Treasurer says'. It states:

The Tasmanian government is confident the state's exporters will not be slugged massive fee hikes at the port of Melbourne.

Treasurer Peter Gutwein —

and I apologise if that is not the right pronunciation —

said he had struck a deal with his Victorian counterpart, Tim Pallas, that would protect Tasmanian port users from planned fee rises of up to 760 per cent.

Mr Gutwein also said:

Mr Pallas has made very clear on behalf of the Victorian government that they recognise and understand the value of Tasmanian business through that port' ...

In light of the previous answer from the minister and his suggestion that no deal had been done, can I ask him: who is right, him or the ABC?

**Mr DONNELLAN** — In terms of the Treasurer's discussions face to face with the Tasmanian Treasurer, I was not party to those discussions, but in terms of, 'Has a deal been done?', I do not believe a deal has been done.

**Mr MORRIS** — So the ABC is wrong.

**Mr DONNELLAN** — Would that then mean I would intervene in leases? No, I will not be intervening.

**Mr MORRIS** — If the minister does not believe a deal has been done, can he provide the committee with details of the deal that has not been done?

**Ms SHING** — On a point of order — —

**Members interjecting.**

**The CHAIR** — Order!

**Ms SHING** — Deputy Chair, you know I love you, but now we are talking about known unknowns and unknown unknowns, and this has got certain American politicians' names written all over it. Perhaps you might ask the minister for confirmation beyond what he has already given insofar as what he believes, but not stray further than that into asking him for confirmation of things of which he is not aware.

**Mr T. SMITH** — On the point of order, Chair, we have the Treasurer of Tasmania saying that there is a deal with the Victorian government. The minister has said that there is not a deal. We would seek some sort of written assurance from the Victorian government that there is no deal with the Tasmanian government.

**The CHAIR** — Order! Mr Smith, I think what the Deputy Chair is quoting is a newspaper report.

**Mr MORRIS** — ABC News.

**The CHAIR** — Sorry, ABC News. It is not a press release from the Tasmanian Treasury. It is not an official form of communication from the Tasmanian government. It is a report which may or may not be accurate. The minister has already indicated that — —

**Mr T. SMITH** — Chair — —

**The CHAIR** — Mr Smith, please. The minister has already indicated that there is no deal and he would not propose to intervene. If the Deputy Chair wants further assurances or wants the minister to reaffirm the commitment that he gave approximately 3 minutes ago, I am happy for the minister to do so, but at the moment all we have got is basically an ABC report, which may or may not be accurate.

**Mr T. SMITH** — With comments on the record from the Treasurer of Tasmania, who would not go into the specifics of the deal, citing — —

**Ms SHING** — And they are not on the record.

**Mr T. SMITH** — But from what I can understand, he is denying — —

**Members interjecting.**

**Mr T. SMITH** — The minister is saying, 'There isn't a deal'. Does he categorically deny that there is a deal?

**The CHAIR** — The minister has answered the question already. I am happy for the minister to restate his position if you like, or for the Deputy Chair to rephrase his question — —

**Mr MORRIS** — Chair, just as this point of order started I was in the process of clarifying the question so that it was — —

**The CHAIR** — Okay. I am sorry that we all got a bit excited and jumped the gun.

**Mr MORRIS** — That is all right. Minister, if discussions have taken place and the government has not agreed to the deal that it is reported to have agreed to — and obviously you would have to do it on notice given that you are not currently aware of it — can you provide the committee with the details of the claims that were made and the deal that was refused by the government?

**Mr DONNELLAN** — As I said, I was not party to any discussions there, first and foremost. There are obviously no details provided in that report. I will happily see if the Treasurer might be happy to do so, but obviously the Treasurer has appeared before PAEC already — —

**Mr MORRIS** — Well before this occurred, and it is your portfolio.

**The CHAIR** — Order!

**Mr DONNELLAN** — Because I am not party to those discussions, it would be a matter of me asking the Treasurer whether he would be comfortable doing that. I am happy to do so, but I cannot guarantee that. That is all. I am just being honest.

**Ms SHING** — On a point of order, just by way of clarification are you asking for a position from the whole-of-government perspective, presuming that has gone through a cabinet process, or for some consideration?

**Mr MORRIS** — I am tempted to ask the Minister for Ports what he actually does in terms of the ports portfolio, but what I was actually asking for —

**The CHAIR** — Through the Chair!

**Mr MORRIS** — was the details of the deal in the ports portfolio that has apparently not been agreed to by the Treasurer.

**Ms SHING** — Further on the point of order, then — —

**Mr MORRIS** — What was under discussion — —

**The CHAIR** — Order!

**Ms SHING** — Sorry, it was my point of order.

**Mr Morris interjected.**

**Ms SHING** — The minister has indicated that to the best of his knowledge there has not been any sort of deal. You have put to him that there is a differing view as reported by the ABC in the article that you have quoted. On that basis, might I suggest that a more appropriate person to go to would be the Premier, or indeed that you seek an answer to this question in another forum. Again, we are talking about — —

**Mr MORRIS** — The Minister for Ports. I thought it was a perfectly reasonable question for the Minister for Ports.

**The CHAIR** — Order!

**Ms SHING** — But you have asked for a response in relation to the whole of government. Again, this is a cabinet process, and if you want to seek — —

**Mr MORRIS** — No, I am asking about ports — port charges.

**The CHAIR** — Through the Chair!

**Ms SHING** — I understand that, but where the minister has indicated that he has no knowledge of it and you are still seeking clarification — —

**Mr MORRIS** — The minister has no knowledge of port charges. Really good!

**The CHAIR** — Which might seem to suggest that maybe what the minister is saying is truthful and accurate, and there is no deal.

**Ms SHING** — Correct.

**Members interjecting.**

**The CHAIR** — Order!

**Ms PENNICUIK** — If I could draw your attention to — —

**Ms SHING** — Give us a preamble, Sue.

**Ms PENNICUIK** — I will; I have got a good one here. Page 3 of your presentation, Minister, is entitled ‘freight supply chains’. I am going back to my theme of coordination, integration, forward planning et cetera. On this slide there is the Ministerial Freight Advisory Council to provide input into freight policy, VicRoads assessing bridges et cetera, the Murray Basin rail project — and it is good to see some standardisation of freight lines — —

**Mr D. O’BRIEN** — Hallelujah! 100 years later.

**Ms PENNICUIK** — Yes, indeed. My question is sort of a mini question: who else is on the Ministerial Freight Advisory Council besides freight industry representatives? You have got ‘stakeholders’ there. I am asking: is it local government, for example, and who else? How does that work with VicRoads; how does it work with rail transport; and how does that work with Infrastructure Victoria?

**Mr DONNELLAN** — I met with the freight advisory council, I think early in the week to be honest; I get a little bit vague because I have one meeting after another. But the members are John Begley, who is the chair; Rob Spence from MAV; Jim Cooper from the port of Portland; Phil Lovel from the VTA — he is going to be replaced by Peter Anderson, at least I think he is the person the VTA is going to be putting up — who is retiring; Andrew Jena from DP World; Rod Nairn from Shipping Australia; Andrew Ethell from Toll Group; John Mullen from Asciano; Brett Amezdroz from DRW Investments Pty Ltd; and Peter Tuohey from the Victorian Farmers Federation. It is a pretty broad representation, both people involved in the freight industry, local government — —

**Ms PENNICUIK** — Well, MAV.

**Mr DONNELLAN** — Yes, MAV. I will not argue whether that is appropriate or not or is the right choice. That is pretty broad representation. The intention is that they will provide me directly with advice in relation to what they see as the priorities for the freight industry. That is the freight industry. Of course those priorities need to be offset against the priorities of our total network plan along the way as well. They work both with VicRoads and they work with the department of transport, but I guess their direct link is, more than anything else, providing me with advice as to what they see as their priorities.

Their priorities were — and VicRoads is already currently working on this — looking at all the freight routes across Victoria, the major principal freight networks, and deciding which bridges along those freight networks need to be upgraded to accommodate larger and bigger trucks. But there is also the issue of the Murray Basin project, which they have also been very keen on, including people like Ken Wakefield and others in that area, who have a lot of grain and so forth — —

**Mr D. O’BRIEN** — He loves it.

**Mr DONNELLAN** — Yes, and want to get it to market quicker. In relation to that project, we get to a certain point but where do we finish off and how does it get finished off? What is the most appropriate route? If you ask the port of Portland, they will tell you they want everything coming down to the port of Portland. The port of Geelong will say they want it all in Geelong, and everyone else will say the port of Melbourne. It is an interesting exercise. But that is something that is very much worked through the department, VicRoads and the freight advisory council.

**Ms PENNICUIK** — They are different ports anyway, so they are not necessarily comparable ports in terms of what they deal with and in terms of what goes through them.

**Mr DONNELLAN** — It is World War III between them on some days.

**Ms PENNICUIK** — I sometimes say I am not sure that the port of Hastings is a port. It is in fact a few long piers, not necessarily a port as people would understand a port looks like. It still seems a little bit disjointed. You talked about, for example, the bridge strengthening to allow huge trucks to go on the roads. Of course lots of communities do not necessarily want those huge trucks on the road, and in your other portfolio there is a road safety issue there. In terms of these advisory councils, I do not hear of many community people or academics or anything on these advisory councils. Anyway, that is my response to your answer.

My other question is: what will be the interaction between Infrastructure Victoria and Infrastructure Australia, which has more of a helicopter view of Australia and its freight requirements; for example, the inland rail, which is one of the key infrastructure projects that it is behind?

**Mr DONNELLAN** — I will make some opening comments and then I will pass it to Gary, if that is all right, because you will get a more specific and more rational answer. That is why Gary is here — to be rational compared to me. Infrastructure Victoria is great as a unit which will pretty much provide advice to government in terms of the priorities, but if we do not want to go ahead with the priorities Infrastructure Victoria has identified, we are going to have to go to the public and explain why we think Infrastructure Victoria is wrong. That is going to make it a little more difficult for us, I guess, to pick projects which really do not provide the return they should and so forth. If you do not mind, I will get Gary to talk about how we are see the interaction between the two units.

**Mr LIDDLE** — I guess the only thing I would add to what the minister says is that Infrastructure Victoria is very much about providing recommendations to the Victorian government that it then responds to. The Victorian government would be the body that is actually liaising with Infrastructure Australia to resolve a position for its infrastructure program going forward and what we should be doing within Australia's. They have quite different roles, with Infrastructure Victoria making recommendations to the Victorian government, which the Victorian government responds to and the government then working with Infrastructure Australia to resolve an infrastructure program within Australia's.

**Mr DIMOPOULOS** — Minister, can I draw your attention to budget paper 4, page 89, and the Port of Hastings Development Authority, and also to your remarks at the beginning in relation to the authority. There has been a lot of misinformation in relation to the development authority, and I was just wondering if you could elaborate further in relation to the future staffing and funding of the authority?

**Mr DONNELLAN** — Yes, happily. The Port of Hastings Development Authority has done a marvellous job down there. They have had a 20 per cent growth in imports and a 9.5 per cent growth in exports in the last year, so they have done an incredible job of focusing on business development in that region. As we indicated, when we came to government we would be looking at a second port but we would be getting Infrastructure Victoria to make that assessment. In terms of what we have done with the Port of Hastings Development Authority, we have changed its work plans. We have very much said, 'In terms of developing the full business case, stop where you are. We will allow Infrastructure Victoria to put together a team to look at Bay West but also continue the work in relation to the Port of Hastings Development Authority'. So we will continue to have an assessment process undertaken by Infrastructure Victoria of both options.

Let me make it very clear that I personally am agnostic. There are advantages to both areas. The west has enormous advantages in relation to regional rail and major highways, whereas Hastings has enormous advantage in relation to a deep sea port. But the problem with Hastings is it does not have the road and the rail links. I do not think either particular option is easy. I think we really need a thorough and rigorous analysis by Infrastructure Victoria — by economists, transport planners and the like — to actually get it right. I think we need to, as much as we can, put it into an independent entity to do it, not to put it into the hands of politicians.

As I was saying a minute ago, we have indicated to the Port of Hastings Development Authority to suspend their work on all container port investigations but to continue to operate down there. We have reduced the staff numbers from 30 to 14. Many of these people were on long-term contracts — most, actually, were on long-term contracts — so fortunately and appropriately they have received a good sum of money. Some of them will look for work with the department of transport and so forth. With the 14 there we are expecting the Port of Hastings Development Authority to chase opportunities in bulk to continue to grow the port down there. We think there are good opportunities down there. There are enormous opportunities, obviously, in relation to storage of petroleum, because we are importing so much petroleum now. I would also like to see them look at chasing down business in the energy sector, because the Latrobe Valley has enormous brown coal deposits, gas and so forth. I would really like to see the port of Hastings grow very quickly, because potentially that is the appropriate port to bring things in and out of. That is really where we are up to with the port of Hastings.

**Mr D. O'BRIEN** — Thank you, Minister. You have stolen a little bit of my thunder, but I guess the follow-up question is: what is the time line for the establishment of Infrastructure Victoria. I think you said there are business cases being developed for both Hastings and Bay West. What are the time lines for those?

**Mr DONNELLAN** — In terms of the time lines for the business case, I will come back to you on that. Infrastructure Victoria is going to be up and running, we expect, in the first quarter of next year. Our assessment in relation to the need for a second port is that we probably would not need a second port until about 2045, maybe beyond. There is still enormous capacity at the port of Melbourne as long as there is appropriate development of landside infrastructure. There is no manic rush to suddenly make the decision next year, because we would still have, as I was saying, enormous capacity. The port capacity project is ongoing. That expects we will get up to a capacity of about 4.5 million TEUs over the coming years. That is a substantial increase in capacity down at the port of Melbourne. In terms of when we need to make a decision, we would make it during this term. But is there a manic need to do it next month? No. That is just sort of an outline of where we are at.

**Mr D. O'BRIEN** — Thank you, Chair. I will try this one. Minister, will there be an open, merit-based process for appointing the board of Infrastructure Victoria, or will it be a job for John Brumby, Steve Bracks or John Setka?

**The CHAIR** — Order! Firstly, I think the appointment of members of the board of Infrastructure Victoria is probably not within the purview of the minister. Secondly, I think the pejorative nature of the question is not particularly helpful. I am happy if Mr O'Brien wants to ask an alternative supplementary question.

**Ms SHING** — On a point of order, the first part of the supplementary was actually really great. We almost got there, and you almost started the upward inflection that indicated that there was going to be a question mark before things went rapidly down the road to hell. Perhaps again if you could just ask what you were actually asking for rather than entering into this late-stage decline, that would be really great — through the Chair.

**The CHAIR** — Again, Ms Shing, I have ruled that the question as asked by Mr O'Brien is ruled out because it does not relate to the minister's portfolio.

**Ms SHING** — Chair, though, if he did indeed have a supplementary question, he might just want to rephrase — —

**The CHAIR** — I am very happy for Mr O'Brien to have a supplementary question.

**Mr D. O'BRIEN** — On a different supplementary: has there been any funding allocated in this budget, including in the out years, for those business cases directly?

**Mr DONNELLAN** — No, I do not believe so at this stage. There is funding allocated to Infrastructure Victoria in the budget to set it up. In terms of specific operating funding, that would come within that envelope which has been provided in the budget.

**Ms WARD** — I think this will be the second-last question in the festival of PAEC 2015.

**Mr T. SMITH** — It is the last question from the government.

**Mr MORRIS** — The last Dixer ever.

**Ms WARD** — I think it is a shame that you do not realise how important some of these questions are for us.

**The CHAIR** — I think the opposition has spent most of their time conversing with the gentleman in the polyester suit in the back row for the last two weeks — —

**Ms SHING** — Most of the Dixers have come from your side of the table, Mr Morris. You know that.

**Ms WARD** — There have been a number of own goals, gentlemen.

**Members interjecting.**

**The CHAIR** — Order! Ms Ward, to continue.

**Ms WARD** — Minister, I want to ask you about freight and freight route assessments. You mentioned this in your budget presentation. We will find it on page 3. Can you please advise us regarding the freight route

assessments currently being undertaken by VicRoads, and can I ask if you can update the committee on any work that is currently being undertaken on any other freight routes across the state?

**Mr DONNELLAN** — As I said previously, the Ministerial Freight Advisory Council was very keen to see that freight routes across Victoria were assessed on the principal network to ensure that we could get goods to market more quickly and more efficiently. Bridge capacity assessments have been completed for the Hume Highway, Western Highway, Goulburn Valley Highway and Monash Freeway. These assessments have provided the basis for funding to be included as part of the recently announced bridge strengthening for freight efficiency program to enable the high-productivity vehicles to operate in these corridors. It is very much a positive outcome.

VicRoads is currently undertaking further assessments of structures of the Princes Highway west between Melbourne and Geelong, the Princes Freeway east between the South Gippsland Freeway interchange and Darnum to determine the capacity for high-productivity vehicles on those routes as well. These assessments are expected to be completed at the end of July 2015, so this is very much a positive outcome for our producers. These routes have been identified as strategic regional freight routes providing access to the port of Melbourne, so this is very much getting from market to the port of Melbourne. This work will enable the calculation of any current capacity for high-productivity vehicles to operate above the current mass limits. Some of them would be below 68.5 tonnes. That is what we are looking at to see whether we can get it up to 72.5 tonnes. VicRoads will work with the industry obviously, the Ministerial Freight Advisory Committee and the like to identify further routes where there is pressure to very much upgrade those bridges to ensure that we can get goods to market in a quicker, more efficient and easier manner, so this is very positive.

**The CHAIR** — Wonderful Mr Smith on the last substantive question.

#### **Members interjecting.**

**Mr T. SMITH** — Minister, given the Victorian Regional Channels Authority will remain in charge of the channels, what impact will this have on the sale of the port?

**Mr DONNELLAN** — In terms of decisions in relation to Victorian Regional Channels Authority and the like, currently we are working through that process in terms of developing legislation. In the coming week or so we are expecting to be able to provide legislation to the opposition, as you would be aware, to consider for the sale of the port. In terms of the regional channels authority and so forth, decisions like that have not been fully finalised yet, so there is, to be honest, no straight answer to give you yet.

**The CHAIR** — A point of clarification from the Deputy Chair.

**Mr MORRIS** — Is the minister saying that the decision on the VRCA has not been finalised?

**Mr DONNELLAN** — All matters in relation to the port sale process are currently being worked through to develop the legislation to present to Parliament.

**Mr MORRIS** — Minister, there have been reports in the last couple of days saying the minister has determined that the VRCA will continue.

**Mr DONNELLAN** — Until we actually present legislation to the Parliament, the decisions have not been finalised. These processes are ongoing, and legislation will be presented to Parliament.

**Mr MORRIS** — So no final decision has been made. Okay, thanks very much.

**Mr DONNELLAN** — Yes.

**The CHAIR** — That concludes PAEC 2015. I will thank the witnesses for their attendance first, and then I will have a brief note. I would like to thank the Minister for Ports, the Honourable Luke Donnellan; Mr Bolt, Ms Eddy, Mr Liddle, Ms Hudson and Mr Easy.

I would like to thank a number of people. I would like to thank the members of the committee for their dedication and their hard work over the last couple of weeks. To Valerie and Mel, thank you for your help and assistance of the members. I thank Patrick, the attendant, who has been dealing with us on heating and comfort

issues. I would also like to thank Hansard for all their dedication in recording our exchanges and dealing with the various technical issues as they arise. I will pass over to the Deputy Chair, because he may want to say a few words as well.

**Mr MORRIS** — Thanks, Chair. Can I just echo your sentiments. Obviously we are at the table and making all the noise and asking all the questions, but there is a huge cast of others that make this work, not only the people you mentioned but of course the security around the building — the volume of people coming through here is substantially higher. The Chair mentioned Hansard. On behalf of the opposition members, I endorse your comments and thank everyone and also acknowledge the fact that we have survived another season of PAEC and we have not yet torn one another's heads off.

**The CHAIR** — Would Ms Pennicuik like to make any comments on behalf of the crossbench?

**Ms PENNICUIK** — I will just thank the Chair for being very fair in the allocation of questions to myself and Dr Rachel Carling-Jenkins on behalf of the crossbench. I thank all witnesses, who have I think been very helpful and done their best to provide advice to the committee and my fellow committee members.

**The CHAIR** — As they say in the classics: you do not have to go home but you can't stay here.

**Committee adjourned.**