

# CORRECTED VERSION

## PORT OF MELBOURNE SELECT COMMITTEE

### Inquiry into the proposed lease of the port of Melbourne

Geelong — 24 September 2015

#### Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

Mr James Purcell

Ms Harriet Shing

Ms Gayle Tierney

#### Staff

Secretary: Mr Keir Delaney

Research officer: Mr Anthony Walsh

#### Witnesses

Ms Rebecca Casson, Chief Executive Officer, and

Mr Justin Giddings, Board Member, Committee for Geelong.

**The CHAIR** — We will resume with the Committee for Geelong. I welcome Ms Rebecca Casson, the chief executive officer, and Mr Justin Giddings, a board member of the committee.

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 penalties. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law; however, any comments made outside the precinct of the hearing may not be so protected. All evidence is being recorded, and you will be provided with proof versions of the transcript in the next couple of days for any corrections.

The committee has allocated 45 minutes for this session. I invite you to make an opening statement if you wish, and the committee will then proceed to questions.

**Ms CASSON** — Thank you very much to the committee for the opportunity for the Committee for Geelong to address you this afternoon. We very much appreciate the time that you have taken to consider our submission. My name is Rebecca Casson. I am the CEO of the Committee for Geelong. By way of background, the Committee for Geelong is an independent apolitical membership-based organisation, and our members stretch the political spectrum and breadth of industry by both sector and size. We advocate for the best overall outcomes for Geelong. You might have heard, I understand, from some of our members this morning and also from some of the groups in Geelong. I am aware that there is perhaps some confusion about the different groups in Geelong, so allow me to provide a bit of an overview of that.

The Committee for Geelong is different to the other organisations because we are independent. We are not funded by government. We actively seek out issues, and we independently influence policy. We have a proven track record of delivering on issues that matter for Geelong. When I say that we are independent and that we are not funded from government, we do receive some local government funding in terms of having two local government members, but to run our business we do not rely on government or local government funding. We are a company limited by guarantee. I am delighted to be joined by Justin Giddings, who is here today in his official capacity as a board member and director of the Committee for Geelong Ltd. Our Chairman, Dan Simmonds, was unable to attend today and sends his apologies.

I hope that clarifies how Committee for Geelong is different. We are very much strategically focused and thinking about things into the future and independent in that way, being apolitical and that nature. I now pass over to Justin and invite him to provide an overview of the committee's submission on the port of Melbourne privatisation.

**Mr GIDDINGS** — Thank you, Chair, and members. I really appreciate the time on this very important topic for Geelong. I think the first thing to say is that we support the privatisation of the port of Melbourne. We made that very, very clear in our submission, which is only a couple of pages long, but I just wanted to emphasise that today. We think that it is a great opportunity. There is a lot of money and efficiencies to be gained by privatisation of assets such as this.

Before the last election there was a lot of debate in Geelong, and I know around Victoria, about the site for the next port — container port or otherwise — and obviously it came down to really Hastings and Bay West. In fact we were with Minister Hutchins this morning and she participated with the opposition shadow for ports, Mr Hodgett, in a debate which I think the Committee for Geelong and G21 hosted.

**Ms CASSON** — That is right.

**Mr GIDDINGS** — That was a very, very good debate; I was there. It really got people thinking about what were the options for the next port. There was a fair bit of excitement around the opportunities for having a port at Bay West, in this region. Obviously there was a counterargument for Hastings as well. I must admit I walked away from that thinking that in addition to that great opportunity there are a lot of questions that need to be asked and answered still, in particular, environmental management and just how that would work with the existing ports around and, I suppose, the impending sale of the port of Melbourne.

One of the things, though, that we believe was fairly clear is that if the Labor opposition then had got into government they made a commitment that they would establish Infrastructure Victoria, and I note that has

happened. One of the first things they would do would be to determine where the next port would be; that was my understanding. That is that something we fully support as well, because the things cannot really be decided on a political nature or certainly on debates. I am definitely not one who has really too much knowledge about ports and how it works at all. I think having an expert to come in and actually provide that advice is a very, very good thing.

In our submission one of the things we have suggested is that that happens still. We agree with what was stated before the election and I think what has happened since — that Infrastructure Victoria be established to decide where that second port will go. Once that is determined then we really need a strategy to work out how we are going to go about even delivering that second port and allocating, I suppose, the consignments or shipments through each particular port. How does it work? Do we just wait until the port of Melbourne is no more or too full and then we start the second port, or do we have a transition approach, where certain, say, containers are removed from that port and taken to either Hastings or Bay West, or cars are removed? There are lots of different options. I think once Infrastructure Victoria decides on where that port should be, then a strategy needs to be I suppose developed to work through exactly how we can deliver that second port and what is best for Melbourne going forward. Our submission from the Committee for Geelong really supports that as well.

The first step is for Infrastructure Victoria to determine the second port. The second step is to formulate a strategy. Once that is agreed — we think that could happen pretty quickly — then the sale of the port of Melbourne proceeds as quickly as possible in accordance with that strategy, so the terms and conditions are very clear to the purchaser and are also very clear to the whole community and I suppose industry importantly as well, that this is where the port is going to be in the next 20, 30, 40, 50 years, whatever is decided. Everyone will have opinions and views about length of time and those things, and that is really not for us to determine. What I am really here to say is that there are some great minds out there who can pull this together. It is probably something that needs to seek international advice on the size of ships and all those things that you will be discussing. We really just do not know, so we are suggesting that that strategy pulls together and we can make a proper decision and then make a calculated sale so everybody knows.

Whilst it could be some time away, I believe that if we had a strategy in place and a decision on the second port, private industry in particular can make investment decisions based on knowing where that second port will be. For example, if you want to build a distribution shed, then it wants to be near the port, and if it is Bay West that the second port will be in X number of years — 20, 30 years, whatever it happens to be — people can then decide where they are going to set up that infrastructure and the planning can be right because people will make those decisions now. So benefits to communities such as Geelong can actually happen now even though the port could be some time away. I suppose that is really the basis of our submission.

The other thing we did mention in our submission is that some of the proceeds of the port are spent down in Geelong as well, and I think that is very important. It is obviously a state-significant asset, and it would be great if Geelong, which is going through a bit of a transition as everybody is aware, can be, I suppose, a beneficiary of that spending. But that is generally a really short summary of where we are at.

**The CHAIR** — Thank you, Mr Giddings. We will proceed to questions. Just to be quite clear: it is the committee's view that the lease transaction should proceed until that basic strategic framework has been worked through with Infrastructure Victoria so we know the subsequent steps, and that a short delay is appropriate to get that foundation work in place before the trigger on the transaction is pulled.

**Mr GIDDINGS** — I am not really sure about how it would actually work in practice. I would imagine it could happen pretty quickly. There has been a lot of work done already. That was presented before the election. The opposition had a lot of evidence there and so did the then government. I would not really like to comment on exactly how it would work; that is probably up for others. But I just think that the general principle of planning and having a strategy in place and acting in accordance with that plan is something that most businesses and governments normally do. That is all I am suggesting here.

I would imagine, though, that it could happen pretty quickly, because we are not about to build that second port, so we do not need to do all the environmental analysis and all that sort of stuff. This is generally about just setting up a plan. Plans can change, but trying to do the best we can now and make that proper decision so we can get things right.

**The CHAIR** — And having that in place before the government goes to market with the port of Melbourne.

**Mr GIDDINGS** — Yes, certainly.

**The CHAIR** — Much of the evidence that the committee has heard, particularly from the shipping industry, on the switchover from the port of Melbourne to a second port has been very interesting because it has pretty consistently indicated that a city the size of Melbourne will have one container port. With another hat on, you can appreciate the issue around large infrastructure, dual infrastructure and facilities, but the evidence has been very clear that a city like Melbourne will not have two operating container ports. When the second one is complete, you will have wholesale shift from the port of Melbourne to the second one. Does the committee have a view on that type of scenario, how that should be factored into a transaction like the lease has proposed — given it will be seemingly not a progressive transition or expansion of the existing facility; it will be one switched off and the other switched on — as to how that should be planned for?

**Mr GIDDINGS** — I do not think we do. Rebecca?

**Ms CASSON** — I think that the details of that are something that we would probably look at in greater detail. Our focus is very much about wanting to make sure that Geelong's position is maintained. Certainly whilst ever we have spoken very favourably of Bay West — because of course we would; we are the Committee for Geelong — in terms of the detail of how that switch on, switch off is managed is something that we have not reviewed the finer details of.

**The CHAIR** — Is the committee comfortable with the lease as it is envisaged under the legislation in terms of allowing for the development of the second port or the planning of the second port? Are you comfortable that there is sufficient provision to allow that to occur in the framework that is envisaged by this government?

**Mr GIDDINGS** — I do not think we really have a position on that either to be honest, all we are really interested in here is, you know, happy for the port of Melbourne sale to go ahead, but we just want to ensure that that process for the second port is undertaken as quickly as possible so that everybody is aware. We have not been through it in detail. We have been briefed by lots of parties, but to be honest we are just not an expert in that area. We are probably sticking to really what we said in here, which is that we want to see the port of Melbourne sold but also just bear in mind that there is going to be a second container port and let us get that strategic plan in place now so that we can plan for it, get the planning right and protect the areas that need to be protected for transport corridors and the like.

**Ms CASSON** — I should confirm that we have been briefed by the department and by the Treasurer, and the feedback from our members is that they are satisfied that the correct mechanisms and frameworks are in place. On that basis, and given that feedback and the very detailed briefing that we did receive on that particular aspect — although we are no experts in that particular field of course — we would be satisfied that the right mechanisms are in place at this stage. But obviously, given what Justin has said about IV, that would be our main focus.

**The CHAIR** — Which department was that? Was that Treasury or the infrastructure department that briefed you?

**Ms CASSON** — Pardon?

**The CHAIR** — Was it Treasury or the infrastructure department?

**Ms CASSON** — It was the Treasurer and the Department of Treasury and Finance that came down.

**Mr DRUM** — We were also satisfied when Treasury briefed us too, Rebecca.

**The CHAIR** — Thank you, Mr Drum. Just on another matter with your submission and your opening comments, you spoke about a reasonable proportion of the proceeds from the lease going to regional Victoria. Does the committee have a view as to what a reasonable proportion of proceeds would be? There is talk of proceeds in the order of 5, 6, \$7 billion, in that order of magnitude. Do you have a view as to what a reasonable proportion would be?

**Ms CASSON** — We would say all of it. As I have said, we are the Committee for Geelong after all, but realistically we would like to be involved in the methodology around how that actually is played out. Very specifically for us, agribusiness is a key area and we believe it is important for agribusiness to have some kind

of recognition from a regional perspective. Agribusiness for us equals jobs, and it is very important that we really, really make sure that we are competing and we have all of the right policy parameters in place for us to be able to adapt and build on our competitive advantages or our natural advantages as well, so definitely agribusiness would be an area, but as to the amount, we have not really had a discussion about that.

**The CHAIR** — The government has indicated that the bulk of the proceeds will go to the metropolitan level crossing and grade separation program, hypothecated through the Victorian Transport Fund, and has indicated \$200 million will go to regional and agriculture-related matters — infrastructure and other matters. Is that the type of proportion you would envisage, \$200 million out of 5 or \$6 billion?

**Ms CASSON** — We would always be advocating for more for the region of course, because that is the nature of our business. On behalf of Geelong, we would be advocating for more. I think everybody would expect us to say that, so we would very much like to continue to work with the government to make sure that the methodology that they are using is appropriate in the way that we would see that, but of course we would always come at it from the side of we would want more, and everyone would respect that I think. But we certainly believe that there are lots of opportunities from this from a regional perspective, and again we would bring back to the fact that from our perspective we would want to make sure that the Geelong port as well is not forgotten in this narrative and that for us Geelong port will continue to be, regardless of what happens with the port of Melbourne privatisation, a main focus for us in terms of our advocacy. We would want to see the continuance of that, through the policy parameters set by government, to be the premier bulk and break bulk port that it has the potential to be.

**Mr MULINO** — Thank you for your evidence and your submission. In your evidence you talked about the debates that occurred during the election campaign. I think it is worth just returning to that election campaign where both parties clearly stated a commitment to leasing the port, something which you have reiterated support for here. There were some discussions with an emphasis around where the second port might be, and there was a disagreement between the parties. Was it your understanding, coming out of those debates before the election, that both parties had a commitment to the long-term lease of the port and you support that?

**Mr GIDDINGS** — Yes.

**Mr MULINO** — Thank you. In terms of the rationale for that long-term lease, one of them is the more efficient operation of the port, another is the release of capital. That is one of the rationales that you support, that the transaction will release capital for investment elsewhere in the economy?

**Mr GIDDINGS** — I would have thought so, yes. We support the sale of the port of Melbourne and of course the proceeds will go to — really I do not mind where. We talked about having the berth here.

**Mr MULINO** — I just wanted to follow-up on that particular point because of something that the Chair raised. A lot of that has been earmarked for level crossings, but it is also fair to say that when you look at the budget in a holistic sense, the indirect impact will be that if money is earmarked for a project like that, it also frees up the overall budget for allocations for much of the state, so in a sense there are benefits for regions above and beyond what is directly earmarked.

**Ms CASSON** — We would recognise that, but again we would always come back to the fact that we would always continue to advocate for more for Geelong because that is what we would do, but yes, we acknowledge what you are saying.

**Mr MULINO** — Lastly, this issue of arriving at a strategic plan, I think you are supportive of Infrastructure Victoria having a look at the issue of where a second port is to be located. If Infrastructure Victoria was to say that that is a very complicated issue and that properly examining that in consultation with stakeholders would take, say, a year or longer, you would not want to hold up the whole transaction for Infrastructure Victoria to work through a lengthy process. What you are interested in getting at is that the government be able to communicate that overarching strategy, rather than working through all the nuts and bolts of that issue.

**Mr ONDARCHIE** — You have got to get it right though.

**Mr GIDDINGS** — I do not think we necessarily want to get into the politics of this too much, to be honest, and I think that is maybe where this is heading. I just think the general principle of what everyone discussed

before the election, of having Infrastructure Victoria have a look at it in the first instance, is the right one for us. If they come back and say, 'This is going to take years', of course that needs to be reconsidered, but I think in the first instance Infrastructure Victoria needs to have a look.

**Mr MULINO** — The other broad concept that has been put to the committee in evidence from DTF is that the government is trying to structure this transaction in such a way where there is a balance between the short run and the long run, which is something that no other commentators have said.

**Mr DRUM** — No, it is not.

**Mr ONDARCHIE** — That is not true. Your opinion does not make it so.

**The CHAIR** — Mr Ondarchie!

**Mr MULINO** — One way to achieve that is by enabling the government the flexibility down the track. That in a sense goes partway to achieving your goal of making sure that there is enough flexibility to achieve a long-run strategy, which will necessarily involve some iterations along the way. So you would support the broad concept that the government should retain as much flexibility as possible?

**Mr GIDDINGS** — Ideally we should try to make one decision now, so that everybody knows exactly where this at, so the purchaser of the port of Melbourne knows exactly what they are buying and what they are in for, the people around the second port have an idea of where, subject to a lot of environmental changes of course and challenges, and then the people in private industry in particular who are looking to invest around ports can make that call. Even though it is a while away, when you are making investment decisions you are looking for a 40-year return really. So I support a decision being made, the one decision now, a big decision being made as soon as possible that incorporates the port of Melbourne sale and a second port. On flexibility, I am not really sure. I do not really have a view on that, but really it is about trying to just give us an idea of really where we are going now.

**Mr BARBER** — Ms Casson, can you tell me which of your members are current users of the port of Melbourne, either as importers or exporters?

**Ms CASSON** — I could certainly give you a list on notice. I would be happy to provide you with a few names right now if you would like, but I could certainly provide you with a further list.

**Mr BARBER** — Yes, a few names would be good.

**Ms CASSON** — Do you mean export and import through the port?

**Mr BARBER** — Anybody who uses the port of Melbourne and has a stake in this question.

**Ms CASSON** — The port of Melbourne users include Viva Energy. We have others that use it through various imports/exports, whether they would be tentative or vicarious users — Godfrey Hirst et cetera, et cetera — those types of members of ours, yes, but I could certainly provide you with a broader list.

**Mr BARBER** — Okay. And they support the privatisation of the port under this model?

**Ms CASSON** — As I said, we are an independent organisation and we are not defined by one single member. We did receive a briefing from the Treasurer and the department; all of our members were invited to come to that briefing. We do have a committee structure. We have a board of members who are representative, and a strategy and policy committee who are a broad representative of our members. It is at that level that we make our decisions, based on what we advocate on.

**Mr BARBER** — Yes, but if an individual member did not participate in that process, you are not necessarily going to suggest that they support this port privatisation?

**Ms CASSON** — We are saying that this is the position of the Committee for Geelong.

**Mr BARBER** — I understand. A question for Mr Giddings. You said in your intro, where you wanted to particularly emphasise that you support the privatisation, that there would be 'a lot of efficiencies in a private

operator running the port'. Can you tell me what you meant by the efficiencies that a private operator would deliver that the Port of Melbourne is not currently delivering?

**Mr GIDDINGS** — I just think generally about privatisation of assets. I run a perfect example, really, of an airport which was public for a long time and privatised, and I have seen a lot of it in airports in particular around Australia. I just think the general principle of having, I suppose, motivated owners to reduce costs — maintain efficiency — is a good thing generally, that is all.

**Mr BARBER** — But you said there would be a lot of efficiencies in a private operator. So what would be the efficiencies? Maybe it is really efficient now despite its public owner?

**Mr GIDDINGS** — Perhaps, but I think it is more about just the general principle of privatisation of assets being more efficient, yes.

**Mr BARBER** — Okay. Your airport is owned by the Linfox Group; they are obviously heavily involved in logistics issues. I have no doubt they have many trucks going in and out of the port every day. Has someone in that group got a particular view about efficiencies that could be found regardless of who the owner is of the port of Melbourne? We are very interested in what efficiencies are available.

**Ms CASSON** — Mr Chairman, could I just say that Mr Giddings is actually here as a member of the board of the Committee for Geelong and not as a representative of the Linfox Group, so I do not think that we should be answering that question.

**The CHAIR** — Thank you, Ms Casson. I will allow Mr Giddings, if he would like, to respond in relation to Linfox. Alternatively I will say what was said at the beginning, if you wish to constrain your remarks to — —

**Mr GIDDINGS** — Yes, I will just say that I am the CEO of Avalon, and Linfox is a lot bigger than Avalon — in fact Avalon is a very small part of it — and I am sure Lindsay and others would feel free to answer anything there. I do not want to answer on their behalf.

**The CHAIR** — Thank you, Mr Giddings.

**Mr BARBER** — But in terms of Avalon, obviously an absolutely massive development next door like a new port — this Bay West proposal, which will be near Avalon — you are hoping that would add some value to your current 50-year lease, of which you are 10 or 12 years into.

**Ms CASSON** — The Committee for Geelong would definitely say that we believe having an intermodal facility that would capitalise on the port of Geelong, Avalon Airport — the infrastructure links that we have through Geelong — and given the fact that we see that Geelong as the capital of western Victoria as well, that all of those assets in one place puts Victoria and this particular region very, very prominently placed to be a great asset for our state.

**Mr BARBER** — Yes, you think it would be good for Geelong. But Mr Giddings raised his involvement in Avalon; I did not introduce that information. Ms Casson said that it is about which of her members get involved, and clearly Mr Giddings is involved, and so that is why I was asking a question as to whether Avalon Airport saw a major benefit from having a ginormous industrial and employment precinct attached to it, effectively.

**The CHAIR** — I am conscious of the firsthand basis of your question, Mr Barber, and the way in which it would be addressed in parliamentary proceedings to a minister. I am conscious that is not the basis for the hearing today. I will leave it open to Mr Giddings as to whether he wishes to answer the question in his capacity as chief executive of Avalon Airport or to keep his remarks to his role as a member of the Committee for Geelong.

**Mr GIDDINGS** — Yes, that is really what I am here for. I am representing the Committee for Geelong because the chairman is unavailable.

**Mr BARBER** — Thanks, Chair.

**Mr PURCELL** — Thank you for the presentation, particularly Mr Giddings for his business input. It is very much appreciated, and it does add significantly to the inquiry. The area that I would like to explore a little bit

more is where in your recommendation 5.2 you talk about the establishment of the port strategy. Firstly, would you see this as being for all of the ports in Victoria, and would you see it covering all of the aspects of the containers — the grains, the vehicles, the cruise ships? Would you see the port strategy being all-encompassing?

**Mr GIDDINGS** — I would definitely; yes, absolutely. I just think it would be a matter for experts, whoever they are, to have a look at what is going on in certain ports now — what their strengths are, what their capabilities are — yes, absolutely, and determine what could go where. Because it might not be a case of eventually closing the port of Melbourne; it might just reduce in scale. Look, there are so many options; I do not know. It is all about looking at the port right across the whole state, for sure.

**Ms CASSON** — Mr Purcell, I would also add that recently the Committee for Geelong went on a trade mission to the US and we had the opportunity to visit the port of Virginia. It was made very clear to us that having a clear port strategy was very important. In fact, we would be advocating for there to be a national port strategy. That is something that, from a federal perspective, is lacking in many respects. To position Australia on an international basis, particularly given the competitive nature of the port sector, we believe there should be a national and a statewide policy for ports.

**Mr PURCELL** — For what it is worth, I agree with you. The issue, then, is: if this strategy was put together, we could finish up with the port of Melbourne looking like a completely different animal to what it currently looks like — with grains going in one place — it could be a completely different animal. For that reason do you think the strategy should be done before the port of Melbourne lease is concluded? Or would it be acceptable to do it afterwards?

**Mr GIDDINGS** — The timing of it would all depend on — let me think about how this might work. The strategy is obviously going to be a big process. It really depends on how that strategy would be gone about. I would imagine that the first part, really, relating to the port of Melbourne and how it might work, would probably happen first. It may not be completed before the port of Melbourne sale might go through. I am just thinking this through. For example, there are a lot of questions around road and transport infrastructure to the second port. Now that would take some time. You can imagine the difficulty, especially if it went to Hastings. So I would not be certain either way how that would actually progress. I am just saying that we probably need to have the port of Melbourne sale conducted in a manner which would be consistent with that future strategy.

**Ms CASSON** — And we do have evidence in Geelong, as an example, that all of our port members, some of which I mentioned to Mr Barber earlier, have been involved in the recent development of the Geelong port plan: the port and land freight infrastructure strategy, which is for 2050. So the importance of getting private sector support and all of those port users working with government at different levels has actually meant that we have had a broader strategy and a much more robust strategy developed for our region. The previous government actually took the great opportunity to put in the port of Geelong coordinator et cetera, so there were lots of opportunities there. So it could probably be either way, but we do have evidence in Geelong that it can still work.

**Mr ONDARCHIE** — Rebecca and Justin, this is one of the biggest asset realisations this state will ever see. Picking up your experiences, we have to get this right before we embark on this. You talked about this committee seeking international advice and you talked about making sure that the strategic plan is in place. Tragically this state has some history of embarking on projects that did not have a business case or did not have a plan, and we have paid the price for that. Things like myki, the desalination plant, the HealthSMART initiative — —

**Ms SHING** — East–west link.

**Mr ONDARCHIE** — the north–south pipeline, and the lease of electronic gaming machines that the Auditor-General found did not have a business case and cost this state \$3 billion.

**Ms SHING** — I have got a soapbox around here if you would like stand on it, Mr Ondarchie, to have a bit more of a rant.

**Mr ONDARCHIE** — When you are finished with it, I will have it, okay?

**Ms SHING** — Yes.

**Mr ONDARCHIE** — What I am interested to know is, given your experiences, before we push the go button on this thing, and that is what this committee is formed to do — to inform ourselves of the right advice before we push the go button — is it your advice to this committee that before we do that we have the strategic plan in place and we have a framework for how we are going to operate this lease?

**Mr GIDDINGS** — Our submission is that we set up Infrastructure Victoria, which has been done, and we advise them to get going on where the second port would be. That is probably the key part of it really, because that is our interest. As for the strategy, that is obviously going to be undertaken by people who will know how to write it and will know all the various things that need to go into that strategy. So to say when that needs to be completed I would not like to comment on, mainly because you can drag that through for years — 5 or 10 years. That is not really what we are here about. We are just about saying, ‘Where is that second port going to be?’ and selling the port in accordance with that. But the strategy would definitely need to be partially undertaken and would definitely need to work through, I suppose, the timings and the other things. I would not even know what it would be, but for me to say on record when that the strategy needs to be completed, I would probably not want to say. We are not here to try and stall or anything like that.

**Mr ONDARCHIE** — Nobody is.

**Mr GIDDINGS** — We just simply want a fair assessment of the next port — to be given an opportunity for that for this region before anything is done that might slow that down.

**Mr ONDARCHIE** — Yes, thanks, and that is the reason, Justin, for this committee’s existence: to best inform itself before it has to vote on the legislation.

**Mr GIDDINGS** — Yes.

**Mr ONDARCHIE** — I think you are saying to us, ‘Before you go ahead and do this, make sure you are fully informed about what the ramifications of this sale are’. I think that is what you are saying.

**Mr GIDDINGS** — Yes. It is not going to take long. Infrastructure Victoria is established now. It is not going to take long for them to be given the mandate to have a look at the second port and get that going.

**Mr ONDARCHIE** — We will wait on that advice before we push the go button.

**Mr GIDDINGS** — Yes.

**Ms TIERNEY** — Thank you, Rebecca, and thank you, Justin, for being here today and putting the committee’s position. I do not particularly want to be controversial or political about this, but Justin I think you got it absolutely correct in terms of stepping out how we got to the election and the debate that we had at the motel. All of that is accurate. The other thing of course is that both major political parties went to the election to go into a lease arrangement, albeit there was a 10-year difference with the 40 versus 50 on that.

I suppose from our political perspective as government reps, we were concerned about the lack of infrastructure spend in the last government and that there has been real lag in terms of that and jobs and trying to get things moving. It would be our view that in terms of developing the lease arrangements that it would not be contingent upon determining the location of the second port; in fact the lease arrangements and the location of the second port would remain open. I think the other thing to keep in mind is that there was a policy cap in terms of the capacity of the port of Melbourne under the previous government. That no longer exists, so there actually has been new work and there needs to be more work done in relation to that.

With that in mind, I need to say to you we do not believe that the lease arrangements should be delayed until there is a determination of a second port, albeit many of us, including me, are on the record as lobbying very hard for it to be Bay West and that the work by Infrastructure Victoria needs to be done sooner rather than later. I do not have a question; I just want to put the government’s position.

**Mr ONDARCHIE** — That is a desalination mark II statement.

**The CHAIR** — Thank you, Ms Tierney. Would either of you like to say anything in response?

**Ms CASSON** — No, we acknowledge those comments, thank you.

**Mr DRUM** — Thanks, Rebecca. Thanks, Justin. Tony Jones might take that as a statement. Justin, I was just wondering whether or not you could take us through your understanding about the compensation clause that is currently in this deal. Do you understand — —

**Mr GIDDINGS** — No, I do not.

**Mr DRUM** — No. You have a couple of strong views — that is, let us support this providing it does not interfere with the second port. That view from committee for is consistent with council, it is consistent with G21 and it is consistent with the chamber of commerce.

**Mr GIDDINGS** — Okay.

**Mr DRUM** — Your other view is that we should get some expert advice on a lot of the strategic issues around this sale. It is also consistent with VECCI and it is also consistent with Infrastructure Partnerships of Australia. It is interesting that the evidence you have given today has a lot of allies in relation to this process.

The worry that this lease agreement not preclude the introduction of a second port — as the Chair has said, around the world whenever a second port is built it tends to become the only port because when you build a new port the ships do not come in and drop 300 containers off at one and then go 20 kilometres up the road and drop another 300 containers up there.

**Mr MULINO** — On a point of order, Chair, the witness has already said he is unfamiliar with this issue.

**Mr DRUM** — This is a separate issue altogether in relation to compensation versus the — —

**The CHAIR** — Mr Drum is forming his argument.

**Mr DRUM** — Justin, in relation to the introduction of a second port, we are effectively looking at its capacity to be the port wherever we decide to build it, because, as I say, we have had many people with expert advice come to us and say, ‘When you build that second port, it has to be built with the capacity to be the port’. Would Point Wilson or Bay West have that capacity?

**Mr GIDDINGS** — I am not 100 per cent sure that I would totally agree on the premise of the question in that it has to be everything. That would be determined later on. It might just be the cars pull out, like they talked about a year or two ago or a few years ago. There might just be the containers and the cars stay there. There are lots of different options, and that is the thing. It is very difficult to determine what needs to happen at Point Wilson or Bay West or Hastings or wherever it is without actually knowing what the demand will be.

**Mr DRUM** — Is your understanding that the winning lessee or the winning tender will set the capacity of Melbourne port as part of its successful bid, whether that capacity be 6 million containers, 7 million containers or 8 million containers, and once setting that capacity they will then allocate a winning price to go along with their estimate of capacity? Are you aware of that?

**Mr GIDDINGS** — No, I am not.

**Ms CASSON** — I think that our focus primarily has been on Infrastructure Victoria and what we have spoken about in our submission, so we have not focused necessarily on the aspects that you are talking about. We very much want to focus on that.

**Mr DRUM** — Rebecca, I know this is not normal; however, you do represent a very important advocacy body. Could I urge you to look at some of the evidence we have already received in relation to the compensation clauses that are being put in place? It is true that both sides of politics went to the election with a view to lease the port. However, the compensation clause to prohibit anybody building a second port until the port of Melbourne reaches whatever capacity is agreed has scared VECCI.

**Mr MULINO** — That is your reading.

**Mr DRUM** — I can read it out to you. I can read it in. Would you like me to read VECCI’s concerns in — —

**The CHAIR** — Mr Drum, continue.

**Mr DRUM** — I can happily read VECCI's concerns that — —

**Mr MULINO** — That is not what this is for.

**Mr DRUM** — All right. I thought you were challenging my — —

**The CHAIR** — Mr Drum, continue.

**Mr DRUM** — I would just urge the Committee for Geelong to have a look at some of the evidence we have received, which puts a whole range of angst and anxiety around the compensation clause and the capacity limits of the port of Melbourne actually being the trigger for when anybody — any government — can start investing and receiving income for a second container port, along with the evidence from people who have had a lifetime in the industry that suggests that whenever any city builds a second port, that second port effectively takes over the original. Again that is another contributing factor to quite a confusing issue. The council, G21 and the chamber of commerce have all come here today and said, 'In principle we support this; however, it cannot preclude the development of a second port'. Yet all of those bodies, including your own, are oblivious to the compensation clauses that may preclude exactly that.

**Ms SHING** — A second port could start today.

**Mr DRUM** — And you would pay the compensation.

**The CHAIR** — Ms Casson, would you like to comment?

**Ms CASSON** — Thank you for that comment. You are right; we are an important advocacy group, and we have actually written to your colleague Mr Hodgett on this issue. We have been very clear that in taking feedback from our board and our members that this is the focus of our submission, so that is what we wanted to focus on.

**Mr DRUM** — Good. We are all in the same boat. Thank you.

**Ms SHING** — We are not in the same boat simply because you have just outlined that the scope of your contribution is in fact different to the one that perhaps Mr Drum might like you to have around addressing the concept of evidence given around the issue of compensation. In any event, thank you for your evidence today in your verbal submission and the oral responses you have given to the committee. I have perhaps a much less febrile, to quote recent federal media events, question to ask in relation to why you think Bay West is in fact the best location for a second container port and how it is that you would craft that rationale for the purposes of consideration by Infrastructure Victoria as part of its independent review.

**Ms CASSON** — As I said earlier on, we are the Committee for Geelong, and therefore we would see any opportunity for there to be jobs, investment, education and all of those aspects for our region as important. Geelong is obviously transforming, and we have an opportunity and natural advantages to our region to capitalise on that intermodal facility and the opportunities it brings in for, as I have said, Avalon and the existing port that would not necessarily be affected by the port of Melbourne privatisation to achieve what we all know it can achieve in terms of that break and bulk break port. We believe it would provide a major asset for our region and certainly would put Geelong on the international map if we had that asset here.

**Ms SHING** — Thank you. Justin, do you have anything to add to that?

**Mr GIDDINGS** — No, I think she has answered it pretty well.

**Ms SHING** — Excellent. Thank you. That was my only question.

**The CHAIR** — Thank you very much. If there are no further questions from the committee, Ms Casson and Mr Giddings, I thank you very much on behalf of the committee for your evidence this afternoon. We appreciate your written submission and your attendance here to give evidence. There will be a draft version of the transcript for you in the next couple of days for any corrections. The committee will resume hearings at 9.30 a.m. next Tuesday in Shepparton where there will be further witnesses. This hearing now stands adjourned.

**Committee adjourned.**