

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Melbourne — 14 October 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Craig Ondarchie

Mr Daniel Mulino — Deputy Chair

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Witnesses

Mr Richard Bolt, Secretary, Department of Economic Development, Jobs, Transport and Resources; and
Mr Kevin Devlin, Chief Executive Officer, Level Crossing Removal Authority.

The CHAIR — I declare open the Legislative Council Port of Melbourne Select Committee public hearing. This hearing is in relation to the inquiry into the proposed lease of the port of Melbourne. I ask that all mobile telephones now be switched off. I welcome Mr Richard Bolt, the Secretary of the Department of Economic Development, Jobs, Transport and Resources; and Mr Kevin Devlin, the Chief Executive Officer of the Level Crossing Removal Authority.

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 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 provided to this hearing is protected by parliamentary privilege. However, any comments made outside the precincts of the hearing may not be so protected. All evidence is being recorded, and you will be provided with a proof version of the transcript in the next couple of days for any corrections.

The committee has allowed a slot until 2.45 p.m. for this hearing, so I invite you to make a brief opening statement and the committee will then proceed to questions. Thank you.

Mr BOLT — Thank you, Chair, and I understand all members of the committee have a copy of the slides I am about to speak to. Chair, my department's interest in the port is in pursuit of our economic development role. Obviously the port is a key economic asset to the state, and the speed and efficiency with which exports travel from various sites of production in the state, and indeed out of the state, to the port will determine their prices, their competitiveness, and therefore the state's economic success. It is also a major channel for imports — to state the obvious — and the more cheaply they can get to consumers, again the better for our economy.

Much of the port's success is built on the quality of the road and rail links that connect the port to the city and beyond the city. In that respect, as you have been previously apprised, Melbourne enjoys a very strong competitive advantage over other Australian ports. We have a relatively congestion-free network and direct road links, which contrasts strongly with, for example and in particular, the port of Botany. Road links such as the M80, M1 and CityLink do connect the port effectively to our key freight-generating areas, and the port also has multiple points of connection to the standard and broad gauge rail networks. In addition to our role in overseeing the leaseholder, assuming the transaction proceeds, our focus is going to be on the landside links around the port, because to realise its full potential will obviously require complementary augmentations of the road and rail system that are in the state's control to decide and fund.

If we go to the second slide, what you see there is, as a result of our competitiveness as a port, we are capturing containerised freight from a very much larger catchment than just our immediate vicinity. We get containers railed in from South Australia and from southern New South Wales, and in both cases because the port of Melbourne is more accessible to those exporters than Port Adelaide or Port Botany. We even handle something like 300 000 TEU — which is, as you have probably heard many times, a twenty-foot equivalent unit — containers from Tasmania, most of those being export containers. The contestable trade that I have just mentioned is a key component of the port's business, and actively servicing these markets is a strategy you would expect the leaseholder would have a very strong incentive to pursue, and we would strongly encourage them to.

The next chart gives various open-ended projections of how, based upon history and other plausible projections, container numbers through the port may grow. I hasten to say that you see curves that go up to 10 million TEUs. I think as you have been previously advised, the consistently estimated ultimate capacity of this port is somewhere in the vicinity of 7 million to 8 million TEUs, and the expectation is that level of throughput would be achieved in the vicinity of 2040 to 2050, all of which of course is subject to future growth.

If that is to be realised, self-evidently we would need augmented landside links to the port — road and rail links to the port — to enable that growth. There is no guarantee that the state will be providing to the bidders for the lease that they would get those augmentations agreed. However, there is a very strong interest the state has in, subject to all of the proper planning and environmental approvals, subject to our own economic tests, developing the landside infrastructure in sync with the development of the port itself to realise the benefits I have already mentioned of a strong and thriving port.

Most of the growth, we expect, will be accommodated using road transport because of the nature of the journeys that are being taken by containers, so improvement of productivity of road freight use is going to be important. It will not be a matter of road only, as I think I have mentioned already. There is also a potential for considerable growth in the rail servicing of the port — in and out — and we would be looking to accommodate and to facilitate that for the complementary investments I mentioned earlier.

In addition to container traffic, which is largely focused on the metropolitan area, which is why the central location of the port is so optimal really for a growing city, that is distributed and will be increasingly distributed evenly around the port, we also have an increasing amount of container traffic coming into the port carrying agricultural produce — wine and vegetables as examples of that, but also export grain. Thirty per cent of last year's export grain harvest was containerised, which is a substantial increase on the single-digit percentages of just 20 years ago.

To make the point again, there are landside options, road and rail, that on our current assessment are well capable of realising the potential growth of the port. In doing so they have also got potential to improve the amenity, particularly of the inner west, which — as we are all well aware — is somewhat impacted by some of the port traffic at this time. I think I have already made the point that there are no guarantees of those investments being made; they would all be subject to the proper planning and environmental approval processes.

The next slide may be rehearsing something with which you are very familiar, but the West Gate distributor and the western distributor projects are examples, and indeed strategic examples, of landside investments that will assist in fully utilising or taking the port's capacity to its next level of potential, as well as, to mention the point again, traffic alleviation in the streets of the inner west.

It is also probably worth noting, as far as the inner west is concerned, that because Swanson Dock as the northern part of the port has been the locus of most port traffic and transport at the moment, that to get to the 7 million to 8 million TEUs I mentioned earlier, that burden would largely fall on Webb Dock, which is of course not going to by its very location have the same kind of impact on the inner west; it would utilise the West Gate Freeway through direct links into and out of Webb Dock.

Another strategic landside investment is the Murray Basin rail freight project, which I think you have heard evidence on previously. This slide shows what the scope of that project in broad terms would be. It is to convert broad gauge to standard gauge from Mildura — from Sea Lake and Manangatang down to close to Maryborough; to dual gauge the Maryborough to Geelong section; to reopen the standard-gauge connection from Maryborough to Ararat; to convert the line heading east-west into Ouyen; and to upgrade the axle loading from 19 tonnes to 21 tonnes to cope with heavier containers on that network.

This — particularly for the lower-value but economically extremely important minerals and agricultural bulk trade from the north-west — is going to provide considerable advantages and productivity advantages, cost advantages, in bringing that produce to port.

On top of all of what I have just mentioned, I can talk in more detail, but I will not take up the committee's time now about the regional bridge upgrades, which will assist in the wider and more productive use of high-productivity freight vehicles and B-doubles across the regional, arterial and the national significance roads network, the widening of the Tullamarine Freeway, and the removal of bottlenecks around the freeway system of the metropolitan area. I can elaborate on those at the committee's pleasure, should you wish to pursue any of them.

The last slide that I think is in your pack — I hope I am reading off the same set that you are — is a stylised map of the level crossing removal programs. Why is that there? Clearly the committee's interest is in part in the projects for which the proceeds of the port lease are to be devoted, the level crossing removal program being prominent amongst them, or foremost amongst them, and the fact that the committee has received a VicRoads report I understand will be the subject of further questioning. This is the status of the program at the moment.

The government has come to office with a very strong commitment to a wide-scale program of level crossing removals, as you are aware 50 level crossings across the metropolitan area, with considerable benefits which will accrue by way of safety — safety to road users, safety to rail users, I would add — and considerable benefits in terms of travel times for both the road and rail-using public. Not only will these allow for boom gate

closure times, which sometimes at peak hour get up to 40 minutes, as you have heard, to be no longer a source of inefficiency and aggravation to the travelling public, along the Cranbourne-Pakenham corridor line in particular, but also enable us to allow a substantially higher rate of train throughput, so to speak, so that we can cater for the growth in the south-east of Melbourne with a much better service than we currently can, augmented by high-capacity trains and various other upgrades which will allow that to become a metro-style, a metro-frequency train service well before the Melbourne Metro project kicks in.

It is a very important program that the lease will assist government to fund. What you will see there is that there are four level crossing removals — in fact you cannot quite see the fourth of them, but Kevin can explain this — already awarded to John Holland and KBR. There are others already awarded, to Leighton, Aurecon and Hyder. Preferred bidders have been selected, and a tender process is now underway, for the Cranbourne Pakenham nine. I think I might leave it there. I do not know if I have got any of those details wrong, but Kevin can elaborate and indeed correct where my memory has been flawed.

Mr DEVLIN — The Caulfield Dandenong is still in the tender phase with the two short-listed bidders.

Mr BOLT — Yes. That is what I was trying to say, Chair.

Mr DEVLIN — We have not selected the preferred.

The CHAIR — Thank you, Mr Bolt. Thank you for your presentation. Mr Bolt, I say at the outset before the committee gets underway, I would like express the committee's frustration at the lack of responsiveness of your department to the committee's request for documentation, and in particular the report you referred to earlier — the VicRoads report on level crossings. This is something that the committee first sought on 13 August from VicRoads, requested by 17 August. It was following that date that VicRoads advised that it had been referred to the department proper. The committee subsequently wrote to the department on 28 August, requesting it by 3 September. On 3 September the department then advised it needed further time to consider the request, which was some three weeks after the initial request. On 25 September the committee wrote to your department again, requesting the report by 29 September, and on 1 October the committee served a summons on the department for the presentation of the report, which was not received until the final date of that summons, which was 6 October, and then received in a redacted form rather than in a full form. That is some 54 days after the document was first requested by the committee — almost eight weeks have elapsed.

When the committee was established, it was on the basis that it would undertake this inquiry as expeditiously as possible. It was the government's desire that the committee conclude its work before the reporting date of 30 November, and the government indicated to the committee that its agencies would be as cooperative as possible with the committee. I have to say that an eight-week delay in the provision of that information, including the need to serve a summons on the department, is not consistent with the government's commitment to be cooperative and does not assist this committee in completing its work by the end of November. I do not know if you would like to respond on behalf of the department.

Mr BOLT — Chair, I regret the inconvenience that the committee obviously feels it has been caused by that delay. The only thing I could undertake to do is to review what has occurred and ensure that in future any such delay — —

Because there are always legitimate reasons to be understanding what legal accountabilities we have in this regard, what restrictions might properly be applied to the release of documents — all of that does take some time. But I can understand your point — that eight weeks is a lot of time — and I will review whether that could have been done in a more expeditious way.

Can I comment only on the redactions. The redactions, as I am advised, are solely to remove the names of individuals, and particularly people not in senior positions, in VicRoads and possibly in the department as well. There has been no substantial redaction, as I am advised, from these documents that the committee should be concerned is in any way concealing any content.

The CHAIR — It is more an issue, Mr Bolt, of the department taking upon itself to make redactions to a document that has been sought under summons by this committee.

Mr BOLT — Right. Chair, now that you have raised it, of course I will look at that. I understand we have the power to do so, and in this instance I think we have done it for the right reasons.

The CHAIR — I must say in terms of the eight-week delay in obtaining this document, it has required the constant follow-up of this committee to get a response from your department rather than a proactive action on your department where delays have been incurred. That has been a rather unhelpful process.

Mr BOLT — Of course the final word is yours, Chair. It sounds to me like in part it is something that has occurred between two entities — VicRoads itself as part of the portfolio and the department in its own name — and that may have been part of the reason why it took longer than the committee clearly desired. As I say, I will go back and look to ensure that we are not seen as unhelpful to committee proceedings in future.

The CHAIR — Thank you, Mr Bolt.

Mr MULINO — I just wanted to touch on an issue that has been raised by a number of witnesses, and that is the capacity of the port and when that capacity might be reached. There are a number of documents in the public realm — a couple of the port of Melbourne documents of 2006 and 2009, which were in part developed in consultation with experts and port users — and we have also received evidence from a number of witnesses, for example, DP World today. We also have evidence from Victoria University, the logistics centre, who gave evidence that they believe the capacity of the port in the future is going to top out at about 5.5 or a little less. Other witnesses, including the port, have said it is more in the realm of 7 million to 8 million. There are a range of possible constraints, such as key line equipment and landside issues. I am just wondering what the department's view is on that issue given all the evidence that we have seen?

Mr BOLT — I think the consistency of the analysis, Deputy Chair, is that 7 million to 8 million is achievable. Ultimately the risk of the achievement or non-achievement of that, of course, does fall on the leaseholder in the way that the lease has been constructed. The way that such a throughput would be achieved would be through several increments rather than attempting to do it all in one go, as it were. But we have no different view, other than that the 7 million to 8 million TEUs is an achievable and plausible scenario for the growth of the port. It happens to be a port that is well served by, as I said earlier, the landside links, without which you cannot make effective use of that capacity. With some of the projects that are now under consideration for enhancing those landside connections, there appears to be considerable capacity for the port to realise that with, in fact, a potentially improved amenity to residents who are currently affected by the operations of the port.

That is the best I can say. Clearly due diligence will be done by the bidders into the process. They will very carefully look at what they believe is achievable. A considerable amount of evidence will be provided to them in a data room that will assist their deliberations. They will ultimately have to form a view about what they think they can do in regard to expansion, and they will bid accordingly. It will be at their risk as to whether they can achieve it. Of course we will seek to be partners in their endeavours, because the economic benefits to the state, as I mentioned, are considerable, but it does not come with any guarantee.

Mr MULINO — Coupled with that is the issue of when container traffic is likely to reach that capacity. On slide 4 we see three lines. One is the KPMG scoping study 2014, one is the 10-year cumulative average growth the bottom line is the 4-year cumulative growth line. My sense from the evidence that we have received to date from most experts is that obviously it is very difficult to predict what is going to happen in 20, 30 or 50 years. One approach is to use some kind of projection, and you do that with a range of different scenarios so as to get a range of what you think is realistic.

Is it fair to say that over the last few years most experts are moving towards a more realistic forward-looking projection or medium projection — that is, lower growth? That seems to be reflected in this in that the KPMG line is higher than the 10-year cumulative average, which is higher than the 4-year cumulative average. While I do not think anybody who is an expert in this field would claim they can pinpoint what is the right number, it does seem as though estimates are tending to err on the more conservative side, which would tend to push out the date at which we would expect capacity to be reached.

Mr BOLT — That is a reasonable line of analysis, but, as you have indicated, it is subject to a great deal of uncertainty. Economic cycles, productivity trends, consumer preferences and what we can do to produce more mineral sands, more grain — these will all have an impact on what kind of growth can be realised. It could

equally surprise us that the rate of growth projections actually strengthen over the coming decades, but, as I said earlier, it will still be approached over decades. The ultimate limit of the port will not be reached quickly. There will be plenty of time to adapt, plan and ensure that whatever happens is done in a manageable way. I just do not have enough confidence, and I do not think my department could ever have enough confidence, to back a particular rate of growth. It will be what it will be based upon things that we cannot directly control or forecast.

Mr MULINO — Final question: given that it is in the state's interests, again, according to most experts, that we encourage investment at the brownfield site to an appropriate level and also given that we want that investment to be as flexible as possible so as to accommodate unknowable future trends in growth, from a policy perspective is it fair to say that you would support a regulatory regime going forward which provides the necessary incentives but also certainty for appropriate investment to go into the port?

Mr BOLT — Absolutely. I think that the point of the lease is to use the state's balance sheet to the greatest effect, invest it where it is most needed and utilise the resources of the private sector where that is feasible; hence the notion of leasing the port. To lease it and to have the best use made of it to the greatest effect of the state requires a regime which provides reasonable certainty to those who operate the port by way of a price path and by way of the standards they are expected to meet with regard to safety and with regard to the environment. I think, having seen other privatisation processes or being involved myself in the regulation of privatised industries that came from them, the framework that has been established here is very fit for purpose in that regard.

Mr BARBER — Mr Bolt, on your department's website it says:

Work begins to remove 50 of the worst level crossings in Melbourne.

Preliminary work to remove 50 of Melbourne's most dangerous level crossings has commenced following the establishment of the Level Crossings Removal Authority ...

...

... At our worst level crossings, boom gates can be down for up to 30 minutes of every hour during the morning peak, causing major traffic congestion and delays.

This document that we just got yesterday was prepared in June 2014 by VicRoads for your department, I gather, as the client, and it rates all of Melbourne's level crossings using various safety criteria and congestion criteria. When I compared the ratings that were given in this document to the 50 level crossings that Labor dreamt up in opposition and now has made government policy, there is actually a big difference between the VicRoads expert evidence-based ratings and the lot that the government now pursues. In fact when I look at Labor's list, 8 of them rate high, 5 rate medium, 5 rate low, 8 were not analysed because they were already committed to by the Napthine government and 24 did not rate at all. How can it be that you have done a document that says what the worst 50 level crossings are but now we are doing a different group of which almost half do not really rate as the most dangerous or the worst, and yet you continue to refer to them as the worst or the most dangerous on your department's website?

Mr BOLT — Let me approach the answer this way, Mr Barber, which is to say that, to repeat perhaps what I said in my presentation, the reasons that the level crossings are being removed include, but are not limited, to safety. It is a very important consideration, and I absolutely concur with what the website says on that, but it is also a major enabler of better traffic flows on the road system. It is going to be a critical enabler also of a better train service — a much more frequent and efficient train service — on the Cranbourne-Pakenham line into the CBD.

The choice, the prioritisation and the sequencing of the rollout has also been determined by the need to package up the different level crossings so that the transient impact we have on communities as they are built is minimised by grouping them together and ensuring that rail occupations have an impact on communities in one fell swoop, so to speak, rather than revisiting the same lines again and again and interrupting community amenity in doing so. That is the basis on which the level crossing program has been prioritised.

The government has come to office with a very clear commitment to those 50. The task of the department has been to proceed with alacrity to implement that program, generate the benefits and generate the jobs that will flow from there. At the same time we are undertaking a full business case review — a program business case

review — to be completed by the end of this year that will cover the entirety of the program while we are going about the business of high-value level crossings that, in most cases, had already had development work done on them being proceeded with.

I am not sure that I can answer the question much more than that except to say that the criteria applied by VicRoads are not typically those which you would apply to a benefit-cost analysis, such as we will be applying to the entire program. They are worthy parameters, but they have taken thresholds and they have taken weightings and ways of prioritisation that assist in identifying what could be priorities, but by no means is it the final word on that or the only way of looking at how you might sequence a level crossing removal program.

That all said, we have inherited a requirement to begin implementing those 50. We are doing that, as I say, with efficiency and with commitment and at the same time looking at the total benefit-cost case through a program review.

Mr BARBER — I was not actually asking how you thought they were chosen. They were chosen by the Labor Party in opposition, and they differ from the criteria that were presented. I am asking you about the statement on your website that says that you are doing 50 of the most dangerous, when in fact 30 of the 50 had no deaths or serious injuries at all in 10 years, according to the expert advice.

Mr BOLT — The obvious task, based on what I have already told you are the broad range of drivers for this program, will be to revisit that wording and paint the broader picture that these level crossings are being removed to realise multiple benefits, and as important as safety is, it is not the only one. I will certainly be reviewing the wording to ensure that the public is given the broadest view of the benefits of a widescale level crossing removal program.

Mr BARBER — Thank you for that. The other issue, it says here, is that boom gates can be down for up to 30 minutes of every hour. According to this report none of the level crossings on the list has boom gates down for 50 per cent of the time. It varies between about 6 per cent and 46 per cent of the time. Where they are down for 50 per cent of the time is at Anderson Street, Yarraville, at Union Road, Surrey Hills, and — the big daddy of them all — at Glen Huntly Road, Glen Huntly, where they are down for 60 per cent of the time in morning peak, and yet none of those I mentioned are on the government's list. Can you please check whether that statement — that is, that the 50 you are doing have boom gates down for up to 50 per cent of the time — is a correct statement?

Mr BOLT — Mr Barber, I will check that, but as you can imagine, we are well aware of the different boom gate downtimes across the network, and my recollection is that, at least on the Cranbourne-Pakenham line, there is a 65 per cent downtime number which equates to almost 40 minutes.

Mr DEVLIN — I can add that we have updated the boom gate downtimes at all the sites, and those numbers are different to what is in the VicRoads report, so we are using some later information.

Mr BARBER — Would you be able to provide that information to the committee as well, do you think?

Mr BOLT — Indeed.

Mr DEVLIN — We can do that.

Mr BARBER — I have one more question. We discussed a little bit about which criteria are the most important. Is the government seeking funding in some cases from the federal government for projects that at least in part include level crossing removal?

Mr BOLT — The government is certainly in dialogue with the federal government about a range of its investment priorities for which commonwealth funding would appear to be warranted. The level crossing removal program — the reason we are here — is meant to draw upon the proceeds of the port lease for its financing, and there are a range of other projects that we would see as higher on the list and that the government has nominated as higher on its list of claims on federal funds. That would include Melbourne Metro particularly, and, subject to it proceeding, the western distributor has also been put forward as a potential focus of federal funding. The Murray Basin rail project, which I have already mentioned, and a range of other projects are higher on the list, or indeed on the list, of what we would hope to get from the federal government.

Mr BARBER — You just got federal funding for the St Albans Main Road level crossing. What I am interested in is: what criteria are they using to assess whether to fund such a project, and how do they compare to the VicRoads criteria and your new criteria?

Mr BOLT — That is a good question that I have not got an answer to on the St Albans side, Mr Barber. Certainly prior to the change of Prime Minister the criteria within which the federal government assigned money to infrastructure projects were a source of considerable difficulty for the state, because there was so much need for investment in the public transport system, which had been ruled out by the previous Prime Minister. We now know that is not the case, or at least it appears to be moving to a more multimodal view, which is more helpful to the state. The point of raising all that is to say that the model on which the federal government is going to be funding transport is, on all external and internal appearances, under review, so what it is going to be in future in relation to level crossings or a rail project or a road project I think will potentially be a different thing in the foreseeable future. Regarding your question about St Albans, I do not have an answer for you here. If you are interested, I can see what can be found out about the federal government's criteria.

Mr PURCELL — Thank you for the presentation and information. I am interested in what sorts of time lines and time frames you expect that some of these projects will be completed in.

Mr BOLT — Is this about the level crossing program?

Mr PURCELL — No. More general than that. I am more interested in the bigger picture and the longer term, not the level crossings. That is an issue of its own. If we look at the western distributor, Murray Basin rail freight et cetera, in presenting this, is this meant to be 5, 10 or 50 years of what is going to cope with the issues that are going to be around?

Mr BOLT — The projects you have just highlighted are in some cases commitments and in other cases may become commitments; they are under consideration. I do not have in my head the precise delivery date of all of them, but they are certainly all within a 10-year time frame, and some within 5, which is not a particularly helpful answer, I know, but I can come back with more specific information.

Mr PURCELL — No, that is okay. We are looking at the lease of the port, which is a 50-year lease with a 20-year option, and in your documentation you are saying that the population of Victoria will reach 10 million by 2051, up from 5.5 million now. I am wondering how we are going to get to a situation where we are going to be able to move with what we actually have planned.

Mr BOLT — Clearly there are decisions to be made for commitments to some projects and funding to be finalised for those, including with the federal government. I would say that this government is very keen, as my daily experience would suggest, to get on with those things and do them as expeditiously as the circumstances allow, which is the best way I can put it — in other words, to get on with it and to get on with it as quickly as all the work can be done, communities be engaged, approvals given and money raised.

This program of works and the pipeline of future investments will of course be ultimately tested by Infrastructure Victoria as far as a long-term strategy is concerned, but we are not talking about projects that are on the never-never, well out of view. They will be committed to and delivered within the foreseeable future.

Mr ONDARCHIE — I have a couple of questions, all around rail. The document we now have from VicRoads identifies the Reservoir junction rail crossing as a high priority. Government MPs in the area have been handing out those little DL cards saying, 'We are removing the rail crossing here'. As we speak, 12 months after the election, there is still a big sign on Plenty Road that says, 'Robin Scott and Labor will remove the Reservoir rail crossing'. I see here that it is a high priority. Can I just know when it is going to be done?

Mr BOLT — That is not one for which we have a scheduled date at this time. It is in the package, so it is clearly part of the 50. It is a clear government commitment, and we will be delivering it within the frame of the — —

Mr ONDARCHIE — But they are handing out the cards now, saying, 'We're doing it'.

Mr DEVLIN — We are starting the consultation and site investigations and design work at all the 50 sites. We are starting work across the full program. We have got 17 that are underway and that have been announced due to their advanced planning status. We are able to proceed with those. The one you are referring to has significant investigations still to be done.

The other thing I might add is that the Level Crossing Removal Authority is at the moment still developing, as part of the program business case, our strategic plan for the sequencing and packaging of all of the 50. It has been important that we are given the time to do that in a way that minimises the disruption to the road and rail network — that we find an optimal delivery sequencing, and that site is part of those deliberations about the full 50. But we will be making some recommendations to government by the end of the year on what we believe to be the optimal sequencing of all 50 over the next eight years, which is the lifetime of the program.

Mr ONDARCHIE — So that is not programmed yet?

Mr BOLT — It is programmed within the eight-year window of the 50, but the exact date for delivery is dependent upon analysis and consultation, which is currently occurring.

Mr ONDARCHIE — I am just hopeful that the commuters of Reservoir will be able to remember when they got that card eight years earlier telling them that they are about to get their rail crossing removed.

The CHAIR — Do you have a question, Mr Ondarchie?

Mr ONDARCHIE — Yes, I do. Let me go to the announcements made in May 2014 by the then government around the rail shuttle project, with \$20 million put aside and another 38 from the federal government. Here we are in October 2015. Can you just tell me where the EOI process is for that whole rail shuttle program?

Mr BOLT — The rail shuttle has not gone away as an important option for getting containers in particular in and out of the port, possibly more out of than in. The program at this stage is suspended pending the lease, and as you have been previously advised, we will be in regular dialogue with the leaseholder about their development plans for the port. We would expect that dialogue to focus on this project amongst others to enable, as we were discussing earlier, the full capacity of the port to be utilised at the lowest possible cost. We would then re-engage the commonwealth at such time. Should all of that play out to the point where that project attracts commitment from the leaseholder and the government reaffirms its commitment, we would go to the federal government to re-enliven theirs and get the project on the way.

Mr ONDARCHIE — I am just wondering where, 17 months on, that \$20 million is in the process?

Mr BOLT — The \$20 million has not been spent, but the commitment has equally not gone away, so as I — —

Mr ONDARCHIE — But you are relying on the bids, though, are you not?

Mr BOLT — As best I know, it remains available for possible application to that project should the other parties that would need to commit to it want to do so.

Mr ONDARCHIE — Because we have had overwhelming evidence through this inquiry about how important it is to have the rail shuttle process in place as part of this whole leasing, but right now it is a bit up in the air, is it not? You have suspended the EOI process, there is \$20 million sitting somewhere and another 38 sitting somewhere, and we are reliant on what the bidders may or may not say. It does not then elicit a lot of confidence in the industry to think something can actually happen.

Mr BOLT — I just do not see how we could possibly run a lease, Mr Ondarchie, and at the same time impose commitments on the leaseholder, who we do not know the identity of and we do not know that they are prepared to put their capital into the corresponding investments that would be needed within the port precinct itself.

Mr ONDARCHIE — Yes, but, Richard, to be fair, that is like standing at the end of the table saying, ‘Come on, seven’. We do not really know if we are going to do it or not.

Mr BOLT — I think we simply have to be patient, strategic and get to the point where we have a leaseholder who is willing to talk about the possibilities. I will not put words into your mouth, but we would expect there to be a highly incentivised leaseholder willing to make the best use of that port, willing to look at all of the landside options and complimentary investments within their own precinct to get containers in and out of there at the lowest possible cost and with the highest possible amenity to local residents. I would have thought that the port rail shuttle would be an attractive option for them to look at, but we cannot know until we know — —

Mr ONDARCHIE — Is the rail shuttle project guaranteed in the lease document?

Mr BOLT — As I said earlier, there are no guarantees of any landside investments on our side —

Mr ONDARCHIE — Yes, that is true.

Mr BOLT — but there is a very strong willingness, as I said earlier, to have good, detailed dialogue about what will be in the mutual interests of the leaseholder and the state in regard to landside investments.

Mr ONDARCHIE — I take your point about patience. I think the people of Reservoir Junction will have to be patient for a while as well.

Ms SHING — Thank you, gentlemen, for the submission, the material that you have provided and for the further oral evidence that you have given to the committee today. As has arisen in the course of this particular inquiry, Mr Ondarchie and I have developed somewhat of a shtick that involves me picking up on issues that he has raised in the course of his questions. I would like to just confirm with you that the \$20 million on the rail shuttle was in fact suspended under the previous government. Is that correct?

Mr BOLT — I believe that is true, yes.

Ms SHING — And that the process for a competitive bid was also stopped under the previous government. Is that also, to the best of your knowledge, correct?

Mr BOLT — I believe that to be true, yes. In fact I could actually ask someone, and they could approach the table and tell me.

Mr RICHARDS — It was a decision taken by this government as part of the — —

Mr BOLT — I beg your pardon.

Mr ONDARCHIE — Thank you. Did Hansard capture that? The decision was taken by this government.

Mr BOLT — I will repeat it, Mr Ondarchie. Apologies for not having the answer. I should not guess on these things. Apparently my advice is that the suspension occurred under this government.

Ms SHING — The suspension of the \$20 million that had been funded by the former government was suspended under this government?

Mr BOLT — There are two things we could do. I can take this on notice, or I can ask Brad Richards to approach me and brief me verbally. Why don't I take it on notice, and I will confirm that.

Ms SHING — If you can do that, thank you. That would be very helpful.

The CHAIR — Thank you, Mr Bolt.

Ms SHING — I would also like to get some further views from you in relation to the cost effectiveness, which I think was in response to a question from Mr Purcell, of expanding the capacity on the one hand and developing a new container port on the other. Obviously the incentivisation is an important part of developing infrastructure, and that is something for which obviously there is a very crucial set of components that need to be developed to do it properly. What are your views on that?

Mr BOLT — We have every reason to support the advice you have been given previously that the most likely way to get to provide port services to this state at the lowest cost is to use the brownfields capacity of the

port of Melbourne to its maximum before there is an alternative container facility that is developed somewhere around the bay. That is basically my answer, really. It makes a great deal of sense. You have got a very good location, you have got expansion capacity that is incremental to a whole lot of sunk capital, you have got excellent landside links in and out that will be developed further to get to the point that we have been mentioning of 7 to 8 million TEUs. It seems very implausible that before you have reached that limit, there is a more efficient option, a lower cost option somewhere else that you develop instead.

Ms SHING — Finally, just back to the rail shuttle process, Mr Ondarchie is famously on the record throughout the course of this inquiry saying that we need to get it right as it relates to the proposed lease of the port of Melbourne. Would you agree that the same sentiment applies in relation to any transaction involving a rail shuttle as part of the development of the port of Melbourne into the future?

Mr Ondarchie interjected.

Mr BOLT — Sorry, I was distracted. If you could repeat the question.

Ms SHING — Would you agree that it is important to get it right in relation to the rail shuttle and the development of any process that might occur as it relates to the transaction, to the bid process and a successful bidder being awarded?

Mr BOLT — Certainly, if the question is do we need to take great care and move sensibly through the business of committing to a port rail shuttle. Is that your point?

Ms SHING — Yes, to get it right.

Mr BOLT — Absolutely. The point I made to Mr Ondarchie I would say again. We need a counterparty before you can make any kind of arrangement for a port rail shuttle. We need to go back, ensure there is commitment and ensure it meets their vision for the port. We would expect that through the bidding process they may indicate their interest in this, though certainly not asking them to make any commitment, and it would be premature for them to do so, after which we need a strategic, systematic dialogue with them about what you might call the co-development of the port with the landside investments that the port would be serviced by. That is a long-term, purposeful strategic engagement that we will have with them.

Ms SHING — Is that facilitated by the inclusion of rail as a mandated component of any expression of interest?

Mr BOLT — It certainly is. I would expect that any leaseholder, any bidder, would recognise that there is no single mode that is going to best service the needs, and they will be very focused on rail as a component of the port's landside needs in any event. But certainly we are putting it beyond doubt by ensuring that they give attention to rail modal solutions as part of their bid.

Ms TIERNEY — In your opening comments you made mention of some of the benefits that will come about as we move through the removal of the 50 rail crossings. Is there a system in place, or will there be a system in place, within the department that will track the number of jobs, the occupational groupings and the length of service of each of those jobs?

Mr BOLT — As a result of the level crossing program?

Ms TIERNEY — Yes.

Mr BOLT — That is a lot of workforce detail that I cannot be sure that we would be able to collect. But let me just say this: we will certainly be looking to maximise the job and local industry participation in all of the projects that are being undertaken by the department, whether they be the level crossing removals or whether they be a rolling stock strategy or Melbourne Metro. Yes, we will be asking ourselves what workforce impact, what industry capability are we leveraging from these programs. Let us say, for example, the design of a level crossing removal program would obviously establish some centres of professional expertise, you would be thinking, within the state. That could even have some export potential outside of Victoria. So we will be looking to leverage all of that and certainly to evaluate how successful we were.

Ms TIERNEY — Could it be introduced through the tendering process, information that would be part of the checklist, essentially?

Mr BOLT — Certainly there will be some of that going on for sure. Kevin might be able to add — —

Mr DEVLIN — The tender process is we ask for local content and industry participation around social enterprises, disadvantaged groups and total workforce numbers. The authority will monitor and be updated as the contractors conduct the work, so for those total direct numbers, and indirect numbers will remain estimated.

Ms TIERNEY — Do you see a role for the relevant contractors that you might engage to have a strong association with the local TAFE?

Mr DEVLIN — I think certainly that is more than a good option that has been used in the past, where for traineeships, cadetships and things like that, some of the major contractors are actively involved with education facilities to provide those sorts of training for their various employees that work on these types of projects. We could envisage that occurring through the level crossing program.

Ms TIERNEY — The point I am also trying to make is that it is excellent that we are having contractual arrangements and job creation, but we also have an obligation for ongoing skills capacity for hopefully the pipeline of infrastructure projects that we are going to have as opposed to what we have had over the previous government, where very little happened in this space, and there is a lot of catching up that needs to be done.

Mr ONDARCHIE — You suspended the money — that was not us.

The CHAIR — I might take that as a comment.

Mr BARBER — I just wanted to really understand this rail shuttle expression of interest process. As far as the government is concerned, the EOI is off and will not be continuing until the sale has been effected, assuming this legislation passes the Parliament?

Mr BOLT — Yes, that is correct.

Mr BARBER — What process will you go through with the potential bidder, with what intended aim? Will it be something that will be put into the lease or the agreement during negotiations that they have to do this, or that they want to do this?

Mr BOLT — We do not expect there to be any commitment to a particular expansion project as part of the lease, no, because to do that of course we then commit ourselves before we will necessarily have done all the spade work as to the right things to invest in. But I come back to my point: there will be what you might call a co-planning process that will go on for the life of the lease about the intentions of the leaseholder to expand their operations and the complementary investments that are needed on the landside from us to make that possible.

Mr BARBER — When you say landside, you mean outside the port actually.

Mr BOLT — Landside being everything outside the precinct. Yes, exactly — anything outside the port. We would be, I would have thought, very quickly coming to grips with a port operator to do that planning, to help them do theirs and for them to help us do ours, because clearly it has to add up to a coherent whole. There is no point us doing things that do not meet their planning for the internal port logistics and vice versa.

Mr BARBER — It has not been quick process to date with a publicly owned port, but are you saying that then you do a planning exercise with this private operator and then maybe an expression of interest gets issued by — who? — the government again with the port now signed onto the deal?

Mr BOLT — It depends precisely how that solution would be procured. I do not think I can speculate on that, but that is a possibility indeed that there be a competitive procurement that we would launch complementary to what they do internally, and that would then deliver the solution. There was at least one market-led proposal, of which I think the committee has been briefed, that did not continue in that form. That is obviously another potential solution. On this occasion the government's view has been that this project — or I think it was the previous government's view that this project did not quite meet that test that would warrant

taking it forward as a market-led proposal. There may well be another one of those kinds that is put forward, and it would be assessed accordingly.

Mr MULINO — Just on that issue of landside investments, which has been a matter of great interest throughout the hearings, we heard evidence this morning from Qube that their take on what has occurred in New South Wales and to some degree in other jurisdictions is that post the transfer of the operation of the port of Botany from public to private hands, there seems to have been, at least to some degree attributable to that transfer, an energisation in the reaching out of the operators of that port for greater volume, which includes looking for opportunities on rail connections, for example. If one takes that as true, and that is their private sector judgement, is it fair to say that the government's objectives will largely be aligned with that to the extent that the government will be looking also to facilitate congestion ameliorating increases in throughput, for example, on rail, and that it should be possible to negotiate. This is not just in that one proposal, but we would expect that over the course of the next few decades we will have to work through a whole number of projects and that it is really a matter of keeping those two incentives aligned as much possible to get the best outcomes for the state.

Mr BOLT — Yes, I agree with all of your conclusions there. There is clearly going to be a very strong incentive for anyone that puts down \$5 billion to \$6 billion, or whatever the ultimate price tag is. They are going to want to ensure that that money has been well invested, and so they will have a strong incentive to realise the full commercial value of the port. They cannot do so by changing prices at will, because they will be subject to regulation in that regard, so their incentives will be to grow the capacity of the port and make the best use of that capacity. As you say, the state has a high degree of alignment with that objective. Necessarily there will be negotiations over precisely what solution on the landside will facilitate the use of that, and there will be good dialogue and sometimes there will be some negotiation required to align the interests. But I would expect there to be a very strong partnership between us and the port operator on this, because as you say the way this has been structured means that the incentives are very, very strongly aligned.

Mr ONDARCHIE — A very quick question — we have got this information from VicRoads that talks about the priorities. We have seen the RACV's report, and a lot of people make commentary on the priorities. Picking up Mr Barber's earlier point, who decides the priority in which these orders are done, because there just seems to be confusion and conflict about what the right order is?

Mr BOLT — Ultimately it has always been the case that the government decides. These are matters that are for ministers and cabinets to decide, on the best advice that they can obtain. We will provide advice, and the ultimate scheduling of these things will be a decision for a government, and that would be true under any government.

Mr ONDARCHIE — You send it up to the minister's office — is that what happens?

Mr BOLT — We will advise government in the conventional ways. Given the significance of this particular project, this will attract wide interest beyond the direct minister responsible and would be a cabinet process typically.

The CHAIR — Thank you, Mr Bolt. Thank you, Mr Devlin. The committee appreciates your evidence this afternoon. There are a couple of matters that you have taken on notice and that we would appreciate your response on. We will also have a draft transcript for you in the next couple days for any corrections from the Hansard record. Thank you very much for your time this afternoon.

Witnesses withdrew.