PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Shepparton — 29 September 2015

Members

Mr Gordon Rich-Phillips — Chair
Mr Daniel Mulino — Deputy Chair
Mr Greg Barber
Mr Damian Drum
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Witnesses

Mr Matt Nelson, chief executive officer, Committee for Greater Shepparton; and
Mr Peter Hill, general manager, Kreskas Bros Transport.

Necessary corrections to be notified to secretary of committee

The CHAIR — I welcome Mr Matt Nelson, the chief executive officer of the Committee for Greater Shepparton, and Mr Peter Hill, general manager from Kreskas Bros Transport. I thank you for making yourselves available this morning. 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 you provide at the hearing is protected by law; 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 allocated 45 minutes for this session, so I invite you to make a brief opening statement if you wish and the committee will then proceed to questions.

Mr NELSON — Thank you, Chair, and thank you, committee members, for the opportunity to talk to you today about the proposed lease of the port of Melbourne. I am the CEO of the Committee for Greater Shepparton, which is a not-for-profit. There are about 16 of these in Australia and New Zealand. We have in excess of 80 members, including most of the major food processing firms, statutory authorities and tertiary education institutions as well. While the committee did not make a formal submission, we certainly welcome the opportunity to talk to you today. What I have done is brought Mr Peter Hill from Kreskas Bros Transport. Kreskas Bros handles 9 per cent of the containerised freight in the Goulburn Valley for most of the major food processing firms. Peter will talk more specifically about the proposed lease, and I will finish by talking a bit more about the proposed fund that is part of the lease provisions. With that I would like to introduce Peter to make some comments.

Mr HILL — Thank you and good morning, Chair, and ladies and gentleman, and welcome to what I call the Paris end of Victoria.

Mr NELSON — He is also a comedian, I should have mentioned.

Mr HILL — Just a brief background on the business. The Kreskas business was commenced in 1946 as orchardists. It is today run by third-generation brothers as a transport business that commenced in 1968. We are the largest road carrier of containers to and from the port of Melbourne from regional Victoria. This financial year we expect to move 15 000 TEU into and out of the port of Melbourne. We employ 75 full-time employees. We have a logistics side of the business that both packs and unpacks containers as well. We service most major clients in this region — Tatura Milk Industries, Bega Cheese Limited, Kraft Foods, SPC Ardmona, Campbell's Soup, Pental Soaps, Visy Logistics, and of more recent times the Pactum UHT milk factory. That is just a little background or snapshot of the business.

I am a member of the Victorian Transport Association. I sit on the container committee of the VTA. I also sit on the working group between the VTA and DP World in which we have an interesting dance every second month around performance of the stevedore versus what the transport companies believe. I have read the document. I sit with what Peter is saying, and one of the areas I can certainly confirm is the area in which he talks around the non-prescribed services. What will happen about the relationship between the stevedores and the transport companies? Where and who will be the umpire? What will happen when we have the issues we have had with the stevedores in the past? Is this going to be an issue that will be dealt with by the new leaseholder? They are questions not just from our own company but certainly from other road freight carriers as well. As I say, I agree with most of what Peter has said in that document, except he talks a lot about containers being brought out of the port of Melbourne into Derrimut. Yes, quite a few containers head that way, but I contend that, given we are moving 15 000 TEU both ways in this next financial year, country Victoria is contributing in a significant way to the port of Melbourne.

The CHAIR — Peter, can I interrupt you there. You are referring to a document. Can you indicate to the committee which submission is yours. We have received many submissions. Which submission are you referring to?

Mr HILL — It is the parliamentary inquiry into the proposed lease of the port of Melbourne submission from the Victorian Transport Association.

The CHAIR — Thank you.

Mr HILL — My apologies for that. I should have been clearer. If I can make an excuse, I came out of hospital about five weeks ago having had my spine fused, so at times I am still in the land of opiates. I will try to be as accurate as I possibly can be.

Mr BARBER — More forthcoming than most of the witnesses then!

Mr ONDARCHIE — Does anyone on the committee want to admit to that as well?

Mr HILL — Now is the time to ask me questions. There are a number of things. High productivity vehicles are something that is a real and genuine concern for our business and certainly for country Victoria — for example, one of our largest clients in the year 2008 involved a total of around 4000 TEU a year, so a significant client, with 60 per cent being 20-foot containers and 40 per cent being 40-foot containers in that financial year. That has now reversed: 60 per cent of their work is 40-foot containers and 40 per cent of it is 20-foot containers. Every container that comes out of the Pactum factory is a 40-foot container. They have had a bit of a stop and start beginning from their green site, but they are predicting in the new year to be moving 500, 40-foot containers per month. That is one truck for every container that comes out of that factory.

Mr NELSON — Just on that point, with higher productivity vehicles that Peter is talking about, that will give a 30 per cent productivity boost per truck movement, which is something we will talk a bit more about with the fund.

Mr HILL — The HPVs are something that we do not want tearing past schools. They are point-to-point vehicles from the manufacturing site to the port of Melbourne, from an empty container park back to either our yard or our client's yard. I know that Bryan Sherritt from VicRoads in Benalla is working hard to get bridges assessed and bridges up and running, but it is a slow process. It has been a slow process and as this process moves along we are still having to put more and more trucks on the road.

Another issue that I would like to talk about is AQIS, and if you are aware of this I am sorry to give you another re-education. If you are not, any import container that comes through the port of Melbourne with a destination that is more than 35 kilometres from the GPO of Melbourne must be submitted to what is called an AQIS rural tailgate inspection. The AQIS facilities are open between the hours of 7.00 a.m. and 3.00 p.m., Monday to Friday. What that means is that we have to have our trucks running through Footscray and Newport and running down Francis Street between 7.00 a.m. and 3.00 p.m. so we can meet AQIS.

We also have the challenge of vessel receivals. Vessels will only receive for two or three days, and sometimes that is over weekends. Some of our clients can order 30 or 40 import containers at a time and we certainly struggle to get that amount of containers out in one day on a Monday. That means that either we are wearing costs or we are having to pass the costs on to our clients because containers fall into storage charges within the stevedores. We could engage subcontractors to pull the containers off the wharf for us, get them tailgated and we could pick them up, but the average cost for that is about $240 a 40-foot container.

One of our larger clients last year opened a facility in Derrimut for all of their export work which meant around 1500 TEU, probably about 2000 TEU, for our business. Part of the reason they moved that business into Melbourne was the cost of rural tailgating. There is a cost for the actual physical container being looked at. Basically what happens is that as it gets lifted off the truck the underside is checked. It is then opened to make sure there is no timber or anything that has not been declared on the paperwork. The doors are closed and the driver is on their way. Two of that client's major customers look like following them into the same facility so that is jobs that have been lost at this end. It is also two jobs that have been lost within our business.

I am not looking for every import container that we pick up going onto a truck and blindly coming to Shepparton. We are not that naive. But if we are talking about a regular customer, a big customer with a regular product coming from a regular supplier, then surely there could be some desk audit. We are orchardists ourselves and we understand biosecurity risks. Surely there could be some desk audit done that would allow that container to be picked up outside of those hours and brought to a bonded facility within this area. My company is more than happy to establish that bonded facility, obviously with AQIS personnel working in the establishment. That would allow us to get the trucks into Melbourne when we really want them — 11 o'clock at night, 1 o'clock in the morning, 2 o'clock in the morning — and off the roads of Melbourne during the day. The containers would come into the facility, be held in the facility and then obviously checked by AQIS the next day and cleared. If Mr Citizen wants to buy some furniture from Bali and ship it over and bring it to Shepparton, good luck to him, but on that occasion I can see that is something that would need to be tailgate inspected in Melbourne before it came up.

That is one of the suggestions for our business to try to get around this. We are currently seriously looking at a future intermodal solution for this area. We need to get in front of the game. At the moment all of our clients want to pack as much as they possibly can into their containers. Conversely they want to try to get as much as they can into their containers while they are coming back this way. It is heavy boxes; it is 40-foot boxes, and if that is the case and it is too heavy for a B-double combination it means a truck on the road for every container. Unlike a lot of Melbourne container operators, the bulk of our business is export. The dairy food sector and meat are a big and growing concern in this area.

I guess that is where I sit. I am pretty well with Peter Anderson on his submission from VTA, other than to say that he has forgotten his country cousins. I just wanted to highlight that part of it. I will be speaking to Peter about the document the next time I am able to travel to Melbourne. That is all from me, Matt, unless there is something you think I may have forgotten.

Mr NELSON — I might talk about the fund. Within the lease provisions there are some things that make us a bit more heartened. There is the annual tariff increases capped for at least 15 years to protect, as well as some discounting for exporters. In terms of provision for a second port, there is the timeliness between reaching maximum capacity at the existing port and the transitioning — trying to get some comfort as to how that could occur.

But in terms of the funds at the moment, there is $200 million for the Agriculture Infrastructure and Jobs Fund. It is a pretty simple statement, but we would like to see the money go where you get the best bang for your buck in terms of the provisions of the global competitiveness supply chain, rather than just diluting it across regional Victoria. We have spoken about high-productivity vehicles, the AQIS container park and the rural tailgate inspection process. To give you an example of the inefficiencies, post 3 o'clock on Friday with AQIS there is about a $200 wharfage fee per box per day. It is quite significant. In addition to that, projects such as the Goulburn Valley bypass have been on the agenda for a period of time. Stage 1a would be a second river crossing from the Echuca-Mooroopna Road to Wanganui Road which would then tie into the Shepparton alternate transport route so there would be some efficiency gains within that as well.

There are the intermodal terminal aspirations that Peter mentioned as well — doing that. We cannot continually have more and more trucks, but I think from some of the early numbers we are potentially looking at taking 200 truck movements less per week over the first stage of investment.

These are the sorts of projects we could see for that fund. There is an action and there is an immediate reaction, which fits into increasing the global competitiveness of our firms.

The CHAIR — Can I go back to the point you made, Mr Hill, with respect to non-prescribed services. As a transport operator, do you have concern about the way in which fees will be set post-privatisation and the capacity of your industry and your customers to absorb them?

Mr HILL — Absolutely. My firm not only looks to create jobs here, but our primary focus is to retain jobs. Supply chain people are now pretty smart people and each year they are looking at their businesses and they are looking at better and cheaper ways of doing it. So if there is a cheaper, which may not be as effective, but a cheaper way of doing things, as in the example I gave of the import movements being moved to Melbourne, then these businesses, which are operating in an extremely competitive international market and dollars mean everything to them, and if there are increases and those increases need to be passed on to the end user or the manufacturer in this area then, yes, that will make a big difference to them.

The CHAIR — In view of that price sensitivity you would advocate the full spectrum of fees being subject to regulation?

Mr HILL — Absolutely.

Mr MULINO — Just on that issue, I understand that your first preference is for coverage, but would you say that moving to a regime where prescribed services cover 86 per cent of revenues as opposed to what they currently cover is an improvement?

Mr HILL — Yes.

Mr MULINO — I just want to go back to that AQIS issue. Forgive me if I have misunderstood but just to clarify, fundamentally is what you are asking for the state government to help you work with the federal government to get better arrangements? Basically setting up a dialogue where we can help you explain to them some of the blockages, like the hours of opening and so forth.

Mr HILL — Indeed.

Mr NELSON — Through the Chair, we have had discussions with the Department of Economic Development, Jobs, Transport and Resources, and also recently the Treasurer visited and we had this discussion as well. It is a federal issue, but equally I think from a state perspective if we can go forth with the solution that looks at, say, the Goulburn Valley, Sunraysia or other food-producing areas, it is going to hold us in good stead.

Mr MULINO — When the Treasurer came a week or two ago, did he indicate that he was happy to engage in that work with you with the feds?

Mr NELSON — Yes. I think he was probably concerned about the impact of the rural tailgate inspection process, but certainly the department has been very helpful in trying to position this for the future. But it is important that this issue be captured as part of this hearing process.

Mr MULINO — Just on the issue of transitioning to a second port, there has been a lot of discussion around different aspects of that proposed regime. One aspect that DTF has outlined in the submission they made is that any compensation payments would not be triggered during the planning and building phase; it would only be right up to the point where it was fully operational. Is that something which you are happy with?

Mr HILL — Yes.

Mr MULINO — Okay. That is all I have got. Thank you.

Mr BARBER — My question is for Mr Hill. These so-called regulator charges down at the port, are they paid by you or the stevedore, or are they itemised on the bill that you get from them?

Mr HILL — No. Those charges work between the freight forwarders or customs clearers and the client. The client of the stevedore is the shipping line. The transport company, by the stevedore's own admission, is at times a pest — something in the way. They really just want to deal with the shipping lines, but they need to get those boxes out of East and West Swanson Dock, so they need trucks to get in there. I am sorry that that is a long answer to a short question. They are not our costs. They are costs that our clients would have to wear.

Just on that point, given the raft of clients that we deal with, they have locations in both rural and metro areas across the country, and they look at their costs and their cost differentials in operating in rural Victoria and operating in Melbourne. Certainly land is cheaper up here. There are a lot of advantages for them to operate in this area, but — and this is my opinion and my opinion only — if there is something as silly as this rural tailgate process sitting in the way of them being able to bring their product into this area, then it is clearly disadvantaging someone who is operating in Melbourne.

The other thing that can be done, which is strange, is that the product can be consigned to ABC Transport in Footscray. The container comes in, is picked up at any time during the night and is taken to ABC Transport in Footscray. It does not need to be AQIS-checked. It can then be emptied, put on a tautliner truck and sent to Shepparton without an AQIS clearance.

Mr BARBER — It is nice that the regulator charges will be capped at CPI, but which of your costs and cost factors might grow faster than CPI over those 15 years?

Mr HILL — Container timeslot booking fees. Every time we book a container into or out of the stevedores there is a charge. There is also now a wharf infrastructure charge that we are having to levy to our clients, and there are also charges, as Matt alluded, for demurrage for containers that remain on the port. If we are unable to pick them up because it is a weekend and if we are unable to get them through AQIS, that is, on average, $200 a day. They are the sorts of direct costs that will certainly hit us.

Mr BARBER — Other things like fuel, time and things like that, could they grow faster than CPI over the next 15 years?

Mr HILL — Absolutely. That is the dance we have with P & O every second month about what they are saying truck turnaround times are and what we say through our GPS technology that truck turnaround times are. Most certainly. For our business to operate and operate effectively, our trucks travel to Melbourne twice a day. They go down in the morning at 5.00 a.m. or 6.00 a.m. so that they can meet AQIS at 7 o'clock. They get back to this area. They get unloaded and reloaded and head back to Melbourne so that they can meet AQIS by 3 o'clock in the afternoon. Waiting time for us is critical. It is a house of cards.

Mr BARBER — Is it mostly full containers taken down and empty ones taken back?

Mr HILL — No. One equals the other, I guess. We are picking up an empty container to bring to this area for an exporter to load, and conversely we are bringing up full containers to be destuffed and emptied to go back. At the moment I am trying to get some of those names I mentioned to sit around a table for us to work out how we do not cart empty air. It just seems crazy that we are bringing empty containers into the area for company A and taking back a full same type of container for company B. There are some questions around the pre-tripping of containers, but certainly it is something that we are trying to look at to save some efficiencies — time and money.

Mr BARBER — Do you have any involvement at the moment with loading containers on or off a rail head, or is it all truck for you for this region?

Mr HILL — It is all truck for us as of today. As of 1 October, in conjunction with Qube Logistics, we are about to reopen the rail head here at Mooroopna. It once had 10 train services a week. It reduced to six train services a week and then stopped in November 2012, the reason being that volume sitting on the back of our trucks. We are looking at the future and looking at the growth that certainly our business is going to confront over the next 12 months or two years. As I say, in conjunction with Qube, we are reopening that site as of 1 October.

Mr NELSON — Just on that point, through you, Chair, the previous subsidy that was put in place with the creation of Asciano would have been in 2007 for containers. Any of that sort of assistance, whether that could be considered under this type of fund, to assist in the transition — because obviously there are going to be benefits to the state, whether it be congestion, whether it be COT, et cetera — would also be worth consideration.

Mr HILL — Indeed, there is a fair capital cost in us restarting that terminal. It has not been used since 2012. We have to purchase and move container-lifting machinery onto that site. That is three-quarters of a million dollars for something that lifts containers. There are opportunities certainly for jobs and growth with the train that we can see, with the bigger picture of becoming a larger multimodal business, if you like.

Mr BARBER — Was that the mode shift incentive scheme you were referring to?

Mr NELSON — Correct.

Mr BARBER — Why did that stop, according to your knowledge?

Mr NELSON — I am not sure. I am just trying to think of the numbers when it was first created through the Asciano process.

Mr HILL — My understanding is that it is a tender process, and that tender process has obviously been completed for this financial year by last financial year, so we have in fact missed the boat.

Mr BARBER — Is that not the simplest way to take all these different society externalities that we have been talking about and turn them into an incentive for you?

Mr NELSON — Absolutely.

Mr BARBER — Just on AQIS, it is nice that the state government is advocating to the feds for you, but what is it that the AQIS say to you when you put to them that they might want to put a couple more blokes on and run a longer part of the day?

Mr HILL — No. They do not want work.

Mr BARBER — What is wrong with that idea?

Mr HILL — I do not know. I really do not know.

Mr PURCELL — The question is to Mr Hill in regard to the logistical side of the business. You have obviously had a lot of experience in logistics. If we look back, the container industry is 50 years old — a little bit more, but effectively 50 years old. We are talking about a lease of the port of Melbourne for 50 years with another 20 that could at some stage be included in it, so we are talking of 70 years. What will the industry look like in 50 years time? Will we still have containers? We have moved from 20-footers into 40-footers. Will there be a move from sea to air? Some time when you have been on the opiates you may have had some thoughts about where the industry fits. What does it look like in 50 years time?

Mr HILL — In my 30 years' experience in the industry I have seen things that I never thought would be containerised now containerised — things like steel, things like rocks, things like timber. I think more and more product will go into container freight and less and less certainly international freight will go any other way. Airfreight at this stage is prohibitively expensive compared to sea freight. Some of the rates that I see for China wanting to repatriate 40 foot containers back to China so that they can export back to Australia are around $500 or $600, so I do not see that changing over that period of time; I just see more and more container work. That has been our experience certainly over the last 30 years. I do not see it changing.

Mr PURCELL — So you see it being sea freight and you see it being bigger ships taking more containers?

Mr HILL — Yes. Bigger ships with bigger containers. I have heard, certainly second-hand, but from a couple of sources that some of the container manufacturers in China are no longer making 20 foot containers. Everything is 40 foot containers. At times for our clients it is cheaper to export into a 40 foot container back to China or south-east Asia rather than a 20 foot container, because the demand back in China is for 40 foot containers. They do not like 20s.

Mr ONDARCHIE — Peter, thanks for talking about your focus on not only creating jobs but retaining them as well. I just want to get your view as an industry participant and somewhat of an expert in this area about the net effect of a 70-year monopoly.

Mr MULINO — 50.

Mr ONDARCHIE — I am speaking to Mr Purcell's point — 50 plus 20.

Ms SHING — It is a 50-year lease.

Mr ONDARCHIE — A 70-year monopoly with unregulated rents for the stevedores and how that might flow through as a pass on right through the industry to producers and what effect that might have on competitiveness and jobs.

Mr HILL — A lot of the international companies that we deal with are looking at Port Botany and they are looking at train services from this area to Port Botany depending on what the cost structure may be into the port of Melbourne in the future. Companies will change. If it means it is going to cost them another $30 000 or $40 000 to put their freight through the port of Melbourne, they will move it and they will move quickly, so that would be my concern.

Mr ONDARCHIE — Gosh, think about the impact on jobs in greater Shepparton.

Mr HILL — It would be tumbleweeds. As I say for the third generation people that I work for obviously it is a business and their first priority is to try to make some money for their father, who never stops talking about money and making money for him, being an elderly Greek man. But we focus locally — we purchase everything locally, we source locally, we employ locally. We are looking at the bigger picture that I mentioned earlier around a multimodal facility of creating probably somewhere between 20 and 30 full-time jobs, so that would be something good for this area. But if one or two of our major clients through cost increases in Melbourne moved their freight to the port of Botany, that would be the end of it for us.

Mr ONDARCHIE — One of the things that has been said to us, both through this committee stage and by others I have met, including your members, Matt, and some of your customers as well, is that part of the value of the port of Melbourne is the effort the industry has put into it over many, many years, yet the proceeds of the sale — some 4 per cent only — will flow back into rural Victoria, and there is no discernible effort flowing back into what is good for the industry. What do you feel about that — 4 per cent out of the $6.5 billion that will not flow back into opportunities for the industry?

Mr NELSON — That is why we made the comment in terms of the current spend of the fund as one thing. Obviously we would like to see more money for the fund, but the other caveat on that is that they are spent on projects that are going to improve the efficiency of our regional Victorian businesses. James, you asked the question about future freight. You only have to look at firms such as Tatura Milk Industries, which will probably take less milk than what they did historically but value-add further.

The product differentiation challenges that our food processors face in the world— what played out with SPC recently — are paramount. So anything that the fund can support to enhance the global competitiveness of our firms, of our transporters, of our freight forwarders, of our food producers, is something that we would like to see. We are still eagerly waiting to see some of the detail. We welcome the fund but still we think there could be more money put forward.

Mr ONDARCHIE — Would you like to see that made as part of this process, that as part of the lease sale process which has to go through the Parliament that there is some commitment back into the industry in that legislation?

Mr NELSON — I suppose the detail would be more than what was released when the fund was announced — —

Mr ONDARCHIE — No doubt.

Mr HILL — So I think it is about waiting to see what comes through the prescription of the guidelines for that. At the moment it is quite broad in terms of who can apply, and I understand why it might be designed so it does not become restrictive. But certainly that is something we would like to see — the guidelines in due course.

Mr ONDARCHIE — So would we.

Ms SHING — Thanks, gentlemen, for your evidence, both in terms of your submissions and the responses that you have given in oral evidence to the committee today. I would just like to ask you both, because I note that we have an overarching committee structure and then a specific Kreskas Brothers logistics position as well, whether you support the reference of the second container port process and location being given to the independent body, Infrastructure Victoria, to determine? If so, why? If not, why not?

Mr HILL — I am undecided; I am not convinced. I have listened to their submissions. There are concerns, obviously — —

Ms SHING — Sorry, whose submissions have you listened to?

Mr NELSON — Infrastructure Victoria.

Mr HILL — Infrastructure Victoria, thank you. There are concerns, certainly from rural transport companies, when we start talking about Geelong and Hastings that it is a long way away. It is a lot further than Footscray, and it is going to have big impacts on our business and huge impacts on our clients. That is why we are at the moment thinking that yes, there is going to be a secondary port, we understand there will be a secondary port, but we are working on looking at the big picture around intermodal to find ways to still remain efficient and effective with both. So, again, the short answer to a short question is that I am not yet decided.

Ms SHING — Not decided. What about you, Matt?

Mr NELSON — This is one of those concerns that identify the remit of Infrastructure Victoria and the intent, similar to an Infrastructure Australia-type process. It would mean that they are well placed, but obviously how they engage with industry to come up with that decision in the information process is of paramount importance.

Mr HILL — I would agree with that position, yes.

Ms SHING — In relation to the issues that have been identified about AQIS concerns, the intermodal hub, and about conversations that have been had with government to date, correct me if I am wrong, but I seem to have taken from you, Matt, that you are positive about the Treasurer's indication to the committee and also to Kreskas, I understand, specifically that he will support regional assessment as part of ongoing advocacy with the federal government and that there is a government position that supports a better regional assessment framework. Would a regional framework along the lines of the intermodal hub, where it is properly administered of course, deal with the container time slot booking fees, the wharf infrastructure charges and the demurrage charges for containers that you identified in your evidence today?

Mr HILL — I think a lot of those charges would still sit with the importers, but the genuine hub that we envisage is not just a place where import containers will be held and checked the next day. We see it as a one-stop, if you like, AQIS area. So for local exporters it is the place where they come, where they have their issues, where their documentation is, where they have their issues with clearances et cetera. We are in the position of wanting to establish that hub and have part of that hub as being an AQIS one-stop shop, if you like.

Mr NELSON — The other point I would make about that is that in asking the federal government to relax the inspection process to allow uninspected containers to regional areas, obviously the best way to start safeguard and mitigate risk is by rail. So the intermodal terminal makes sense both inwards, and we are talking probably 1500 TEUs in — —

Mr HILL — Yes.

Mr NELSON — As well as 15 000 out. I think, even though these seem quite simplistic issues, the 1 per cent that we referred to, it does highlight, like in the previous inquiry about enhancing regional Victorian exports, the need to continue to have that sort of vision for what you want to see in the supply chain. So high-productivity vehicles, while we were heartened by the February $35 million to look at bridge assessment level crossings — —

Ms SHING — A total of $43 million between Victoria and the federal government, yes.

Mr NELSON — We will get the bridge assessments by November, which will make it easier. I think having the first mile and the last mile is actually going to enhance how that performs.

Ms SHING — I also understand the roads minister has confirmed that he is in the process of assessing the bridges and roads upgrades to accommodate those high-productivity vehicles and specifically that he is working with the VicRoads regional director in Benalla to accommodate those concerns. Is it fair to say that those conversations are continuing even as the big-picture issues on the proposed 50-year lease plus the second container port referral to Infrastructure Victoria are continuing? They are ongoing as we speak?

Mr NELSON — Definitely. So the time frame has been, since the announcement in February that the bridge assessment work was undertaken, from our understanding that is probably going to be finished by November. Being quite parochial about it, unashamedly, we would like to see the Goulburn Valley five bridge structures between here and the port updated. The AQIS issue, being a federal issue, is going to take longer, but certainly we have had good involvement with the department and certainly with both sides of politics about this issue.

Ms SHING — To pick up finally on a point that was made by Mr Ondarchie on the 'measly' amount that has been allocated to regional spends off the back of the $6.5-odd billion price tag that is anticipated. We have had evidence that expresses concern that there has been no money committed to this council and surrounding shires and that councils will get nothing back and it is all in fact are going to Melbourne. You have referred to the Regional Jobs and Infrastructure Fund as well as the Regional Jobs Fund. There is also the $200 million Future Industries Fund, which is also designed to bring high performing, high net-worth jobs to regional areas, along with the bridge strengthening program that you refer to. Do you have a position in relation to the overall investment in regional Victoria as part of general budget revenue and spends?

Mr NELSON — What can I say? Certainly the Regional Jobs and Infrastructure Fund of $500 million is consistent with previous iterations as well. There is certainly a proportion of that for election commitments as well, it should be noted. But certainly there is provision for well-thought-out due diligence for proposals going forward. I suppose our comment is more in terms of the $5 billion being generated versus the $200 million for the fund as opposed to other things within government's budget for regional development issues.

Ms SHING — That is over and above things like the Murray Basin rail project, which is $416 million, yes.

Mr NELSON — Yes.

Ms SHING — But you acknowledge that there are other spends going on — —

Mr NELSON — Sorry, through you, Chair, we certainly do acknowledge there are other, if you like, buckets of money for regional Victoria.

Ms SHING — Anything to add to that, Peter?

Mr HILL — No.

Mr DRUM — Peter and Matt, thanks for the evidence. Logistics are obviously quite difficult around the port of Melbourne now. When we are talking about heading off to get your vehicles checked, that is a 2.6 million TEU. The department of treasury is telling us the port may have a capacity of somewhere between 7 million and 8 million TEU. How do you think it will operate if we triple the amount of movements in and around Footscray and the dock?

Mr HILL — It will become a bigger nightmare. At this stage there are only two locations where we can have this tailgate done. Those two places are Lou Arthurs in Footscray Road and Patrick in Appleton Dock Road. At the moment I can have 20 trucks lined up outside Lou Arthurs in the morning waiting to get tailgated. So if the freight task increases, as it seems to be doing, those lines are only going to get longer, and that just means costs.

Mr DRUM — Is it often that you have the situation where you incur those additional costs because you cannot pick up when you are supposed to?

Mr HILL — Absolutely.

Mr DRUM — So you do incur those $200 costs? Even at today's traffic, you still incur them.

Mr HILL — Yes.

Mr DRUM — If we move forward to your own projections about future growth in the port of Melbourne, I understand from other evidence that the port is currently growing at around 6 per cent per annum. Your figures have projected that back down to around 4.8 per cent. Again, we do not know where the future capacity is ever going to land because we have had evidence from Victoria University saying that the sheer quayside meterage limits capacity of the port of Melbourne to about 5.3 million to 5.4 million TEU. That is their evidence. Yet we have Treasury and Finance suggesting it is somewhere between 7 million and 8 million TEU. There is a huge disparity and with that, because we are not quite sure what rate we are going to keep growing at, we are not quite sure where we are going to hit capacity, and in fact the capacity will be set by the winning lessee.

From the Victorian Transport Association's figures, using 4.8 per cent growth on what we currently have and setting an intermediate — or being aggressive, being at the short end — 5.3 per cent, it means we are going to run out of capacity in about nine years. We have also had evidence that it is about a 10-year lead time to get a second port up and running, yet the government wants us to pass legislation which effectively leaves the whole concept of a second port in the ether to be dealt with at a later stage. We are going to send it off to Infrastructure Victoria, or to any independent organisation, but there is no time line set in place and there is no allocation of funds. Apparently we are talking about a $12 billion cost to build a second port from scratch. In your experience, how do you see this ever happening if, for instance, someone comes in and leases the port with maybe an 8 million TEU limit, and as we try to reach that limit clearly the government has to act five or six years out —

Mr NELSON — Correct.

Mr HILL — At least.

Mr DRUM — minimum. Who is going to pay for the development of a second port when we have already heard that when any city in the world builds a second port, the ships do not stop twice? The ships will dock at one or the other, but they will not berth at two. Who is going to build a second port when the port of Melbourne has to maintain its limit of 8 million TEU and the second port, under the legislative clauses that we are expected to consider, can only ever accommodate overflow? I put it to you: how are we supposed to handle the practicalities of what is being put before us?

Mr HILL — I agree around the second port. It is something that needs to be done as a matter of urgency. It is something that needs a time line. It is something that a decision needs to be made on so that not only we as operators but also our clients can see a future in Victoria. Because as I said through the Chair earlier, I have clients that look at the port of Botany. It is cheaper to operate through there, there are efficiencies through there since the PBLIS system has been introduced and they are genuinely looking to New South Wales. Unless we do something collectively, unless we do something that gives confidence to industry that we will be able to handle what is coming into and out of the port of Melbourne, they will look elsewhere.

Mr DRUM — If you were heading up a major international consortium, you had access to many billions, you won the lease to operate the port of Melbourne, you have nominated 8 million TEU and you are currently doing 6.5 million, how do you see the development of a second port ever taking place?

Mr HILL — I am not going to want it.

Mr DRUM — You are not going to want it.

Mr HILL — No.

Mr DRUM — But what if Matt next to you is Premier of the day, irrespective of what colour — —

Ms SHING — How much speculation have we got coming up in this question?

Mr DRUM — Matt wants the second port built, as the government of the day. If he builds it, is he supposed find the money that the previous government spent 30 years ago?

Mr MULINO — Let us look at something truly ridiculous — your Premier.

The CHAIR — Order! Mr Drum, we will need to wrap up shortly.

Mr DRUM — I am just trying to work out a scenario for how it can actually ever happen, and I cannot quite work it out. I want to know if someone can put some light on that.

Mr HILL — We need to get ahead of the game. Kreskas Bros is a transport company. We are not a trucking company. We move our freight by road because at the moment that is the most effective and efficient way to do it. We are looking to the future. We are looking to rail to work in conjunction with road to make our business more effective and more efficient for our clients. That is the position the government needs. It needs to be able to give its clients, as we are as a small country business, the confidence of a future. I am being asked by the supply chain manager of Pactum how we can move 500 boxes a month. I can give him that answer because I have a plan.

Mr DRUM — Thanks very much.

The CHAIR — Mr Hill and Mr Nelson, thank you very much for your evidence this morning on behalf of your respective organisations. The committee appreciates your input. We will have a draft version of the transcript for you in the next couple of days for any corrections.

Witnesses withdrew.