

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020-21 (Horne)

Melbourne—Thursday, 17 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

Ms Melissa Horne, MP, Minister for Ports and Freight,

Ms Megan Bourke-O'Neil, Deputy Secretary, Policy and Innovation, and

Mr Praveen Reddy, Executive Director, Freight Victoria, Department of Transport.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I would like to begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be here today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2020–21 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

Please note that witnesses and members may remove their masks when speaking to the committee but must replace them afterwards.

All mobile telephones should now be turned to silent.

All evidence taken by this committee is protected by parliamentary privilege. Comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

We welcome Minister Horne in the first instance for consideration of the ports and freight portfolio. We invite you to make a 5-minute presentation. This will be followed by questions from the committee.

Visual presentation.

Ms HORNE: Thank you, Chair, and I too would like to acknowledge the traditional owners of the land on which we meet and pay my respects to elders past, present and emerging. Throughout the COVID-19 pandemic the critical nature of our freight and logistics sector and the importance of efficient supply chains have never been more evident. The ports and freight sector in Victoria stood up to the unprecedented challenges, and the government has worked closely with industry to ensure that Victorians continued getting essential supplies safely. The Victorian freight plan, *Delivering the Goods*, recognises that Victoria needs to move more for less. While the response to the COVID-19 emergency has consumed much of our time over the past year, efforts have been continuing to implement the freight plan, and we are tracking pretty well.

This budget commits \$4 million to continue the mode shift incentive scheme, which is instrumental in incentivising industry to move more containerised freight by rail. But it is not the sole driver of our efforts to shift freight from road to rail. The port rail shuttle is a critical component of our freight plan, and significant progress has been made. It will remove congestion around the port of Melbourne, cut transport costs for freight by as much as 10 per cent and reduce truck trips on the suburban Melbourne road network by up to 100 000 annually. We have signed project agreements with Austrak at Somerton—only yesterday—SCT Logistics at Altona and Salta at Dandenong South to upgrade rail connections to the network and improve terminal access. And we expect to have trains delivering containers within two years. A key component of the port rail shuttle network is the work at the port of Melbourne to deliver on-dock rail capacity over the next three years. The project gives the port capacity to handle more trains and longer trains as well as making them easier to load and unload. Importantly, completion of the project will enable the port to handle 600-metre-long shuttle trains.

As part of the \$2.7 billion building works stimulus package an \$83 million investment is underway on the regional freight-only rail network, supporting farming communities and boosting jobs and economic activity in regional Victoria. The works will focus on replacing sleepers, repairing ballast and renewing level crossing equipment across along almost 400 kilometres of critical freight-only rail lines. The works will support farmers who need to transport their grain, rice, hay, horticulture and other exports via rail.

The government has also worked with stakeholders this year to help shape the future of our port system in Victoria through the Victorian ports review. The Victorian ports system sector has undergone significant changes in recent years, including the introduction of a third stevedore in 2015 and the leasing of the port of Melbourne in 2016. To maintain efficiency at our commercial ports and to our import and export sector, this review is critical, and I look forward to providing the government's official response to the review early next year.

Talking more about ports, Victoria currently has 14 local ports and more than 2100 local port-related assets. These assets, valued at around \$650 million, have been significant enablers of regional economic growth. As part of the building works package, the government recently announced a \$24 million investment for the Better Piers and Waterside Facilities program. This enables the \$9.6 million Portarlington harbour upgrade and the \$3.16 million that has been allocated for the Portland Trawler Wharf pontoon extension, the Marginal Wharf at Port Welshpool, rebuilding Tooradin Jetty and repairs at Rye Pier. There is also \$11.6 million to rebuild Altona Pier, make repairs to the Queenscliff south pier lifeboat shed, repair Middle Brighton Pier and demolish the old Flinders pier in a section. The government is also focusing significant investment on the \$50.3 million St Kilda Pier redevelopment.

We know that efficiency at our ports and efficient movement of freight is critical to Victoria's economic growth, and that is why this government is making unprecedented investments. Thank you.

The CHAIR: Thank you, Minister, and I will hand to Ms Nina Taylor, MLC.

Ms TAYLOR: Thank you. Hello, Minister and department officials. So I am really excited to hear about the port rail shuttle networks. I am going to refer you to budget paper 3, page 355. You obviously provided an update on this in your presentation, but would you expand on the significance of the port rail shuttle in managing Victoria's freight task?

Ms HORNE: Thank you very much, Nina. Look, yesterday was a pretty exciting day, I have got to say, because yesterday was actually the culmination of a big year in the ports and freight sector. Because we started off the year giving the approval for the on-dock rail solution at the Port of Melbourne. We have signed project agreements with Salta down in Dandenong, with SCT at Altona and then just this week with Austrak up in Somerton.

Because our port of Melbourne is more dependent on the road network than any other port in Australia, it is really critical to get these port rail shuttles, which are effectively train lines that will move goods in and out of the port, because it will take trucks off local roads and get more of that freight task onto rail. In net tonne kilometres, rail transport is 22 per cent of Victoria's total freight task, and that is 30 per cent of the state's non-urban freight task. But there is only 11 per cent of the total container throughput at the Port of Melbourne, and that has reduced significantly by about 15 per cent from two decades ago. So how many ports we can shift onto rail will be a key factor in that port capacity, because unless we can move more with less, we are actually constraining the port's growth.

Much of the port's dependence on road is due in large part to the fact that import containers travel really short distances, and in fact most are bound for the metropolitan area. Of all the capital city ports, in fact, only Adelaide moves its import containers a shorter distance. Eighty-seven per cent of imports and 52 per cent of exports have a metropolitan destination or origin, and that means there are about 5500 trucks that visit the port every single day. Many of those are actually moving through my local community in Williamstown. So given that the freight task is also set to triple over the next 20-odd years, it is really unsustainable to have roads choked with big containers at the same time that so much of our economic activity depends on people being able to move to and from work, either through public transport or through, you know, tradies doing jobs and those sorts of economic drivers, which is another thing that is growing as well.

We have not had a rail shuttle network before and so we are building this very much from the ground up, and what that last piece up in Somerton will do is it will effectively link, triangulate, that around the port of Melbourne and be able to shift goods either to and from, move them in and out or around the network or then in and out off the port of Melbourne. It has been really terrific to partner with the federal government on this. In fact I think the initial investment for this was actually flagged by the commonwealth and the state more than 10 years ago. It has been sitting there because this has been a long, complex commercial negotiation and also

too making sure that the market is in the right place to be able to invest. So between the federal government and the state there has been a \$16.2 million investment with that Austrak facility up in Somerton, \$9.5 million to connect SCT Logistics at Altona and \$28 million to connect the Salta Properties facility at Dandenong South. On top of that, there will be an additional \$46 million in private sector-funded upgrades so that for every \$2 of private investment there will be \$1 of public money.

So as I said, by establishing these freight hubs or these intermodal terminals around our city, we will really reduce the need for trucks to come in and out of the port because instead what they will be doing is the trucks will go to and from Somerton, to and from Dandenong or out in Altona and be much more based on that freight network. On top of that, as I said at the start, we have given the approval for that on-dock rail solution down at the port of Melbourne so from that sort of triangulation around our city there can be rail freight that comes in there and then there will be that on-dock rail solution at the port of Melbourne that can just go seamlessly because at the moment there is only DP World. There is only one stevedore down there really that has got that ability to move a significant amount of freight via rail.

While we are getting the planning right, we have also got a couple of business cases underway that again we are in close negotiations with the commonwealth about, one out at Truganina and the other one at Beveridge, and that is about investing, just getting more further out. So our focus is very much beyond the port gate and the movement of our freight and we are using our policy levers to be able to shift freight around the network more efficiently.

Ms TAYLOR: Thank you. You did mention port of Melbourne's \$125 million investment in new rail. What is the connection between that investment and the port rail shuttle network?

Ms HORNE: As I said—I sort of need a whiteboard here to draw it, really—what the port of Melbourne will do is along Swanson Dock it will invest \$125 million, and this was part of the condition of the lease of the port of Melbourne, to be able to put that on-dock rail solution that will then connect into those other intermodal terminals. Now, that will be fully integrated because it will provide both a standard and a broad-gauge network. A couple of things are that port-related road freight is forecast to grow from 11 000 truck movements per weekday to 34 000 by 2050 if we do not have rail. As you can imagine, the amount that that would choke our streets would just be absolutely phenomenal. So by moving freight by rail, far more containers can be moved than a single trip in a truck can. A 600-metre-long train can carry 84 twenty-foot containers—or TEUs—compared to a B-double truck, which has only got an average capacity of three TEUs. What this project will do in terms of that on-dock rail solution is it will provide the capacity to handle over half a million TEUs a year. The port of Melbourne estimates on-dock rail will help remove about 2000 truck movements each and every weekday from local roads surrounding the ports.

So just to talk briefly about some of the economic benefits resulting from the proposal, there will be definitely a reduced economic barrier for rail freight at the port of Melbourne. There will be reduced externality costs because this will actually have an environmental benefit: there will be less diesel trucks travelling in and out of the road, there will be less road maintenance—those sorts of things. There is also, of course, that critical new infrastructure investment.

Ms TAYLOR: Sounds great; thank you. So I would just like to move along to rail freight investment. So the government is making unprecedented investments to support freight in our state. In particular, I refer to budget paper 3, page 355. Could you outline how the funding of the \$4 million to extend the mode shift incentive scheme will increase the efficiency and cost effectiveness of freight movements and reduce road congestion in and around port precincts?

Ms HORNE: The mode shift incentive scheme is one of those little bits of money that actually gives enormous bang for your buck, because what it does is it incentivises different companies to invest in rail rather than using road-based freight. So it has been around for approximately 10 years and it is really about assisting our regional exporters move their freight more efficiently.

The CHAIR: Thank you. Sorry, the member's time has expired. I will pass the call to Ms Bridget Vallence, MP.

Ms VALLENCE: Thank you, Chair. Thank you, Minister and department, for appearing. Minister, again on budget paper 3, page 355—and you were referring to the port rail shuttle network earlier—and the outputs of the intermodal system, why has less than 20 per cent of the project been delivered? What is the hold up?

Ms HORNE: So this is progress of the metropolitan intermodal system? What we are talking about is, look, there was an impact of COVID there that had a significant impact on the delivery of the port rail shuttle. But one of the timings has been that subsequently, and as I mentioned just yesterday, we signed that agreement with Austrak, and so now all those three projects have been completed this year. So what you will see in next year's budget is that that has been expended.

Ms VALLENCE: So that is a vast reduction just due to COVID. How much in terms of dollars has been given to Austrak for this project so far?

Ms HORNE: So it was a total of \$16.2 million, and that was a split between the commonwealth and the state, with approximately \$6.2 million from the state. Is that right, Megan?

Ms BOURKE-O'NEIL: That is correct.

Ms VALLENCE: That has already been given to Austrak?

Ms HORNE: Well, that project agreement has just been signed, yes.

Ms VALLENCE: That has just been signed? But this is just a reannouncement, surely, of the announcement by former Minister Donnellan back in 2018 for precisely that figure—\$16.2 million for this project?

Ms HORNE: Well, as I mentioned earlier, this has been money that has been earmarked by the commonwealth and the state for a number of years.

Ms VALLENCE: Yes, since 2014.

Ms HORNE: That is right. So it has been a long time in working through the commercial arrangements and also to—

Ms VALLENCE: That is a very long time. So do you mean to say then, from 2018 and Minister Donnellan announcing \$16.2 million that it has taken that two years to reach an agreement stage, or was there a previous contract and this is an agreement variation?

Ms HORNE: No, there was not a previous contract. It was basically saying that—

Ms VALLENCE: So nothing happened for two years since Minister Donnellan's announcement?

Ms HORNE: No. And I think if you saw the news last night, and listening to the managing director—

Ms VALLENCE: We were probably here, Minister.

Mr D O'BRIEN: We are here all the time.

Ms HORNE: Oh, of course.

Ms VALLENCE: So this \$16.2 million that has been announced and that you have signed agreements for this week, is that an additional incremental \$16.2 million or is it the same \$16.2 million?

Ms HORNE: No, it is the same.

Ms VALLENCE: It is the same \$16.2 million that Minister Donnellan announced in 2018?

Ms HORNE: That is correct. Sorry, I do apologise, because you were here last night. But talking to the managing director of Austrak, for him this was a vision that he imagined 22 years ago, and to see him effectively tear up yesterday—

Ms VALLENCE: To finally get a contract?

Ms HORNE: Well, it has been about negotiating the project parameters—

Ms VALLENCE: I could imagine he would be teary after two years—

The CHAIR: Ms Vallence, can you allow the minister to answer.

Ms VALLENCE: I imagine he would be teary. Two years ago this was announced. Precisely as you have said, it has been around for a long time, but it has taken two years for this government to get to the point of actually getting onto this project and formalising an agreement.

Ms HORNE: No, no. As I said before, this is also too about the private sector being a partner with us, so they are investing too. They need to have their customers and to have their surety of investment as well in order to be able to commit. Unless they are confident that they can make this project succeed, they are not going to sign up. It is only now that they have got to that point where they have felt they are ready to actually commit.

Ms VALLENCE: So it is their fault that it has taken this long?

Ms HORNE: It is not about fault; it is about actually having the right economic circumstances, and that is what the government is doing. But also too the federal government has been partnering with us to be able to say, 'Look, we're really committed to doing this, so therefore we will keep that money aside so that when the commercial agreements are there, when people are ready to invest, when the project stacks up, we are then ready to do that project signing'.

Ms VALLENCE: So back to page 355 in budget paper 3 there, the sub-20 per cent of the project having actually been delivered, has that been done with no contract?

Ms HORNE: No, no. We have got project agreements done now, with Austrak being the latest one but also too Salta and SCT. SCT out at Altona was the first one to be done.

Ms VALLENCE: And on that, SCT, obviously that land is privately owned. Is that part of the problem, why we cannot progress?

Ms HORNE: Look, there is progress happening on it. It is on private land, but they are all on private land. So SCT out at Altona—

Ms VALLENCE: Is that an impediment?

Ms HORNE: No, I do not believe it is.

Ms VALLENCE: Okay. So in terms of, as I said, the sub-20 per cent that has been completed so far, you mentioned that that was because of COVID, but you have also said that it was because the contractor was not ready. Which is it, Minister?

Ms HORNE: Well, look, it is a bit of both. I think there is the explanation in the budget papers too. But these are long, long processes to be able to get those commercial agreements in place, and also too having, you know, a workforce that is predominantly working from home—

Ms VALLENCE: Well, they have been only working from home since March 2020 and this was announced by your government two years ago, so I do not know that that is necessarily something you can attribute to the delay. I think that if governments really are determined to do something, they do not need to take the two years. If there had been the Murray Basin rail, don't you think that that would have actually addressed the trucks-on-the-road problem?

Ms HORNE: What we need—

Ms VALLENCE: We have more trucks on the road, and you have talked to having trucks on the road. Isn't it that we have so many trucks on the road because you have not finalised the Murray Basin rail project?

Ms HORNE: Look, as you would be aware, the Murray Basin rail project is being delivered by my colleague the Minister for Transport Infrastructure.

Ms VALLENCE: It is—

The CHAIR: Ms Vallence, your time has expired.

Ms VALLENCE: Thank you, Minister.

The CHAIR: I will pass the call to Mr Sam Hibbins, MP.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and your team, for appearing this evening. I actually want to follow up on one of the initiatives that was discussed actually in the last budget, and that was the use of the former Melbourne Market site. My understanding is that that is related to the call for expressions of interest that was put out at just the end of last year. Can you give us an update in terms of where that initiative is at?

Ms HORNE: Sure. So as you would be aware, there was about \$900 000 that was allocated to having a good look at that Melbourne Market site. Look, I am really passionate about how we end up using that piece of land because, as I mentioned, as the Member for Williamstown as well as being the Minister for Ports and Freight, what we do in and around that site is so critical for my local community as well as setting the parameters for freight policy. So there was that expression of interest that has gone out. We had a number of companies that were particularly interested in doing something down there, and I think we looked at—and I will get Praveen to provide some detail more around the procurement process, of where that is at—certainly things like hubbing trucks down there, being able to provide a fuel station down there so trucks can refuel rather than having to go in and out of suburbs, and also being able to keep containers down there, particularly empties, will be of significant benefit. It has not yet progressed. Praveen, maybe you can give a quick update about the procurement and that process?

Mr REDDY: Yes. Mr Hibbins, the process will continue on next year once we have settled the use of that Melbourne Market site for ports and freight benefit, and it will go back out to market through VicTrack early next year.

Mr HIBBINS: As in go back out to market for more expressions of interest?

Mr REDDY: It will go to the shortlisted parties.

Mr HIBBINS: Right, okay. And do you actually have any time frame of when something might actually occur on the site?

Mr REDDY: Not specific time frames at this moment, because some of it will be dependent on the proposals they have received and what the timing elements are in relation to that.

Mr HIBBINS: Thank you. I want to now move to what the government is doing around the issues around pilotage within the Port Phillip Bay. Obviously we have moved from a monopoly to a competitive system, and obviously there were some issues that were raised and the subject of a review. How is the government responding to that review and ensuring that that competitive market is working properly?

Ms HORNE: You are right. Thank you. It has been a bit of a game changer having that competitive tension in there. That pilotage review in 2018 was the one that we commissioned. As a result there were changes to the *Marine Safety Act 2010*. Things that were introduced then were a higher entry threshold for pilotage service providers, a zero blood alcohol concentration for pilots, regulation of inactive pilots and also improving incident reporting. I talk to the head of MSV regularly to be able to just keep a bit of an eye on that, because as you would be aware, MSV do regulate pilotage within the Victorian waters and do do that regular audit of them.

Mr HIBBINS: Thank you. Just finally, you mentioned a review of ports. Does that cover the port of Melbourne or is that not included in that?

Ms HORNE: No. It is the port assets of Victoria.

Mr HIBBINS: Okay. But that is no longer an—

Ms HORNE: It is our local and our commercial ports.

Mr HIBBINS: The port of Melbourne is no longer an asset of Victoria?

Ms HORNE: Well, it is an asset, but it is a long-term lease. But it has had a look at the regional channels authority, the VPCM.

Mr HIBBINS: Okay. Thank you. Thanks, Chair.

The CHAIR: Thanks, Mr Hibbins. That concludes the time we have set aside for the consideration of the ports and freight portfolio. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

The committee will now take a short break before moving to consideration of the fishing and boating portfolio with you. I declare this hearing adjourned. Thank you.

Witnesses withdrew.