PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Thursday 23 May 2024

MEMBERS

Sarah Connolly – Chair Nicholas McGowan – Deputy Chair Michael Galea Mathew Hilakari Lauren Kathage Bev McArthur Danny O'Brien Aiv Puglielli Meng Heang Tak

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WITNESSES

Melissa Horne MP, Minister for Ports and Freight; and

Paul Younis, Secretary,

Praveen Reddy, Executive Director, Freight Victoria, and

Will Tieppo, Deputy Secretary, Network Design and Integration, Department of Transport and Planning.

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

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

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.

I welcome the Minister for Ports and Freight the Honourable Melissa Horne as well as officials from the Department of Transport and Planning. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes. After this time committee members will ask questions. Your time starts now.

Visual presentation.

Melissa HORNE: Thank you very much, Chair. As Melbourne grows to outpace Sydney, how we move freight around the metropolitan area will be one of the keys to successful and sustainable growth. As a government we recognise that road will continue to do the heavy lifting when it comes to the freight task, but we want rail to do more. That is why this budget delivers a \$104 million investment in rail freight maintenance and upgrades. It also delivers \$10.2 million for new camera technology to enforce our legislated 24/7 truck bans on local roads in the inner west. It delivers \$16.7 million for the Victorian renewable energy terminal for planning and design, and it also delivers \$4.5 million to deliver critical works to the Lakes Entrance training walls.

The 2024–25 Victorian budget continues our track record of supporting freight operators, producers, domestic and export customers to get their products and product moving safely and efficiently. The budget will deliver \$104.3 million to grow freight on rail, delivering funding for critical routine and major periodic maintenance to the freight rail network. This investment is on top of \$83 million in stimulus funding and \$181 million over two years in the 2022–23 budget. In total, that is more than \$360 million in rail freight maintenance since 2020. And we have seen the benefits this sustained targeted investment brings. An extra half a million tonnes of bulk grain is being moved by rail in 2023, which takes more trucks off our roads. It curbs heavy vehicle emissions and improves efficiency. Trains are now heavier and longer as a result of our investments, and on some rail lines we have seen productivity improvement in double digits. Getting more freight on rail is not about throttling or stifling road transport, it is about making rail a more viable, more competitive alternative.

We are also partnering with the Commonwealth through our \$58 million investment in the port rail shuttle network. It has been long talked about, but it is actually underway, with trains running from Altona to the Port of Melbourne and the network connection complete at Dandenong South. Just last week I was onsite to view the progress at the Somerton intermodal terminal. It is an incredible amount of work that is underway up there

and the terminal will be operational by 2025. The port rail shuttle network will change how freight moves around Melbourne, reducing truck numbers, alleviating congestion and making rail freight more cost-effective.

There is so much of the freight task that can only be performed by road though, and that is why we are working hand in hand with industry on the challenges and opportunities of the zero and low-emissions freight vehicles. Last October we convened a nation-first freight industry decarbonisation summit, and we are reconvening in a few short weeks for the Victorian freight plan industry summit to pick up that conversation. We are also making it easier for electric trucks to move around our state. Last year we launched an Australian-first map that provides truck drivers with preapproved access routes for their electric trucks on specific Victorian roads. This reduces the barriers for industry to invest in electric trucks and makes it easier for operators to deliver goods across our state in a more environmentally and sustainable way.

Chair, Victoria's freight industry contributes \$21 billion to the state's economy each year, and it employs more than 260,000 Victorians. Like many industries, there are critical shortages that we have to address, and that is why we have injected an extra \$1 million to train more heavy vehicle drivers with the VTA. We have been running this program since 2016.

In relation to offshore wind, we remain committed to it and meeting our emission targets. This budget provides funding to continue the planning and development for the Victorian renewable energy terminal.

The Allan Labor government has made historic investments in local ports, piers and jetties – over \$150 million since 2018. In this budget we are providing \$4.5 million for critical works at Lakes Entrance addressing the risks of major collapse and the loss of vessel access to Gippsland Lakes. We know how vital our local ports are to communities and regional economies, and we will continue to support these maritime assets and the communities that they serve.

The CHAIR: Thank you very much, Minister. The first 8 minutes is going to go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Minister. Minister, you mentioned the offshore wind terminal. Given the feds have ditched Hastings, where is it going to be?

Melissa HORNE: I think that some of this was covered in my colleague's, the Minister for Climate Action, evidence earlier. The Port of Hastings is restarting their environment effects statement because there were a number of challenges that came back that the federal government –

Bev McARTHUR: So it is still going to be at Hastings?

Danny O'BRIEN: Challenges? They knocked it back.

Bev McARTHUR: It is still going to be at Hastings?

Melissa HORNE: Hastings – with the work that we have done, we have identified that the Port of Hastings is the most appropriate place to do that.

Bev McARTHUR: Okay. Minister, the budget paper makes clear that the mode shift incentive scheme is being wound down with the government cutting available funding by 30 per cent in 2024–25. Given this budget cut, how does the government expect to achieve its target of 37,000 20-foot equivalent units of transport under the MSIS in 2024–25?

Melissa HORNE: There have been a couple of things, as you can appreciate, with the mode shift incentive scheme. I sat down with three of the recipients of this scheme just recently. And what we are doing through this budget is delivering \$4 million over the next two years to be able to support those three recipients as we transition out of that. On top of that, we have got rail lines, regional freight rail lines, that are in better nick than they have been in decades.

Bev McARTHUR: Just on that, Minister, freight on rail has gone from 14 per cent in 2014 to just over 5 per cent now. How can you explain that?

Danny O'BRIEN: But the freight rail is good, apparently.

Bev McARTHUR: You know, if the rails are so good, why is the usage going down?

Melissa HORNE: We have got more product being moved by rail than ever before.

Bev McARTHUR: No. I am just telling you it has gone down.

Melissa HORNE: Where is the reference to that, Mrs McArthur?

The CHAIR: Perhaps Mrs McArthur could provide the minister with the reference.

Bev McARTHUR: Well, it is your department. You will be able to find it. So Minister, when the mode shift incentive scheme supports the movement of up to 20 per cent of Victoria's rail freight volumes per year, why are you cutting the vital funding for this?

Melissa HORNE: Well, as I said, what we are doing is we have got rail lines in better nick than they have been in decades and we are moving more product than ever before. I was down at the port of Geelong just recently, and there is more and more product going out of there that is coming in by rail. We have got a massive amount of projects happening. In fact when I was down there I think there was a new turning loop that had just been built at Gheringhap that is allowing those longer and greater and heavier trains to be able to get more product out there. But over the next two years we are providing certainty to those three recipients – Seaway, Linx and of course SCT – over the next two years to allow them to transition their business out of reliance on the mode shift incentive scheme.

Bev McARTHUR: Okay. Minister, your department admits in its response to the questionnaire on page 39:

Without continued support for rail freight, the increase in heavy vehicles on the road network will continue to exacerbate issues relating to emissions and road safety.

So, Minister, with roads that are crumbling – which we have gone through very extensively previously – with potholes everywhere, people placed in danger because of poor roads, when it is well known trucks do exacerbate these issues, can you confirm the government's cut to the mode shift incentive scheme will not lead to more trucks on our roads?

Melissa HORNE: Well, Mrs McArthur, as I said, we are continuing the mode shift incentive scheme for the next two years. That was a direct request by the recipients of the mode shift incentive scheme. But on top of that we have spent \$360 million over the last few years on reopening rail lines, on repairing regional rail freight lines, on putting in new sleepers and being able to have those rail lines back up and running, which is allowing heavier, longer trains. It is something that should be celebrated.

Bev McARTHUR: Murray Basin is slower than Cobb & Co, Minister – but anyway, let us go to budget paper 3 of 2024–25. In January this year more than 100 protesters blockaded operations at the Port of Melbourne for several days. Tens of thousands of containers were prevented from leaving the port as a result. Minister, what was the economic impact, the dollar value, of the protests at the Port of Melbourne in January this year?

Melissa HORNE: I do not have the details of what the economic impact was. But I am happy to speak to what we have done in relation to those disruptions, because in relation to those disruptions, as you can appreciate, they occurred on Port of Melbourne land. It required then the Port of Melbourne and also the stevedore to say that people were trespassing down there. As a result we ended up getting together the Port of Melbourne, the stevedores and also Victoria Police to be able to have that immediate response, and they have worked extremely well together as a result of that.

Bev McARTHUR: Well, Minister, how many days of port operations have been lost over the last financial year as a result of protests?

Melissa HORNE: The thing that we have got, Mrs McArthur, is three stevedores. So if one stevedore is being disrupted, whether it is through this sort of protest action or it is through industrial disputes or a variety of different things, the other two stevedores step up and are able to take that overflow.

Bev McARTHUR: Well, can you ensure that further -

Lauren KATHAGE: Point of order, Chair.

The CHAIR: Excuse me, Mrs McArthur. Ms Kathage.

Bev McARTHUR: A budget paper reference, do you want that? Is that what we are going to? BP3, page 178, is that –

Lauren KATHAGE: Which initiative is that there, sorry? BP3 – what was that?

Bev McARTHUR: 178.

Lauren KATHAGE: 178. Thank you, Mrs McArthur.

Bev McARTHUR: Okay. Minister, can you ensure that further protest activity at Australia's largest port will not be tolerated?

Mathew HILAKARI: Sorry, on point of order, how does that actually refer to the –

The CHAIR: Excuse me, Mrs McArthur – on a point of order.

Bev McARTHUR: What, you like protests, Mr Hilakari, do you?

The CHAIR: Mrs McArthur, excuse me. Mr Hilakari, what is your point of order?

Mathew HILAKARI: Just on relevance to the budget, I am just not clear how that relates back to the budget here. I know a budget paper reference has been given, but I am not sure there is actually some relevance to it. It is budget paper 3, page 178, I think you tried to take us to, Mrs McArthur, but just could you relate it back, please?

Bev McARTHUR: Yes. It is related to the \$91.3 million allocated in the budget to ports and freight. We are dealing with ports, Mr Hilakari. Ports are vital for the economy in Victoria, and the minister, I am sure, is very concerned to make sure our product gets moved from A to B, out of Australia or into Australia, via Victoria and the Port of Melbourne.

The CHAIR: Thank you, Mrs McArthur.

Danny O'BRIEN: Chair, on the point of order, because you have not ruled on it.

The CHAIR: I will rule on the point of order.

Danny O'BRIEN: I would like to speak on the point of order.

The CHAIR: Mr O'Brien, on the point of order.

Danny O'BRIEN: I remind all committee members that the objectives of this committee include 'encouraging effective and efficient delivery of public services and assets' and 'enhancing the understanding of the budget estimates and the wider economic environment', and I would appreciate it if government members stopped taking up our time with frivolous points of order on issues that are absolutely pertinent to these terms of reference.

The CHAIR: I will rule on the point of order. I think Mr Hilakari, in raising a point of order, was relevant. He was asking Mrs McArthur to draw the committee members' attention and the minister's and witnesses' attention towards your question and how it related to the budget papers. You did that. Unfortunately you are out of time.

Bev McARTHUR: I will take it up in Mr Hilakari's.

The CHAIR: Please do.

Mathew HILAKARI: You always do.

The CHAIR: Thank you. We are going to move on to Mr Tak.

Meng Heang TAK: Thank you, Chair. Thank you, Minister for your presentation, which showed that the government is making unprecedented investments to support freight in this state. Minister, I refer to budget paper 3 on pages 75 and 80, which outline an investment in 2024–25 of \$104.3 million to move more freight by rail. Minister, would you be able to outline how the funding for work on the freight rail corridor will increase the efficiency and cost-effectiveness of freight movement, reduce the road congestion on local roads and around the port precinct, and lower carbon emissions?

Melissa HORNE: Thank you very much for your question, and I have got to say, this is something that I feel incredibly excited about and not only with our investment. If I can digress for a moment, I would also like to shout out, and I am sure all committee members will be incredibly pleased and congratulatory, that the federal government in their latest budget put \$150 million to the Portland–Maroona line. I am sure the Member for South-West Coast, who I know is watching with interest, will also join with me in congratulating this.

In relation to this we have got \$104.3 million to continue to grow freight on rail, and that delivers that funding for that critical routine and periodic maintenance on the rail freight network. As I mentioned in my presentation, we have had \$83 million in COVID stimulus funding that occurred a couple of years ago and another \$181 million over the last two years in the 2022–23 budget. That in total is \$360 million in rail freight maintenance since 2020. This has resulted in more bulk grain being moved by rail, and that takes trucks off our roads. It curbs heavy vehicle emissions, and it is much more efficient for farmers and for freight forwarders. We know that it is proven. It is a cost-effective solution to reduce those transport emissions, and because rail freight generates about 20 per cent of greenhouse emissions compared to road, every new train and everything that we are moving by rail reduces greenhouse emissions by five times.

Our past investment has seen an increase in rail usage and is driving confidence in rail operators and businesses, so much so that private sector funding is now being leveraged for associated infrastructure. This is absolutely awesome, because while government can invest in the assets that we own, it is then on all the surrounding services that are operated by the private sector – and they are absolutely investing in that – to show their confidence. That means that everything that we can do to drive down the cost of moving things out through our ports into those export markets is absolutely – every dollar that is saved getting goods out is a dollar back into the pockets of regional Victorians. It also has got those additional dividends of reducing road maintenance costs, it lowers the costs of harm and road trauma, reduces carbon emissions, as I said, and it also lowers the impacts of truck volumes on road congestion and urban amenity. As you can appreciate, I live very close to the Port of Melbourne and so being able to have that on-dock rail solution down at the Port of Melbourne and so being able to have that on-dock rail solution down at the Port of Melbourne almost ready to be commissioned and – I know this will be of great interest to you too, Mr Hilakari – having that port–rail shuttle network running in and out of Altona will make such a difference for our local communities as well as being able to improve air quality and urban amenity. So yes, it is terrific.

Meng Heang TAK: Thank you, Minister. In your presentation you also mentioned that the Victorian government has invested more than \$360 million in rail freight maintenance in 2020. Are you able to provide examples of how sustained investment in the rail freight network has improved the network?

Melissa HORNE: There have been a number of investments delivered as part of that, and I will give you a few examples. As I said, it means that there has been more than half a million tonnes of grain that has actually been moved out on rail than previously before. But some of the things are that there has been the construction of a major rail bridge at Barrakee, on the Korong Vale to Sea Lake line, and upgrades to the sidings tracks at several grain terminals. We have replaced 40 kilometres of track between Dunolly and Inglewood.

Danny O'BRIEN: Dunolly.

Melissa HORNE: Dunolly. Sorry, that is right. I have actually been there. We have had 38 kilometres of track improvement on the Swan Hill line, which will allow trains with 20-tonne axle loads to run on that line. Between Maryborough to Ararat there has been the replacement of seven life-expired culverts. As I mentioned previously, works at Gheringhap reopened a passing –

Bev McARTHUR: Gheringhap.

Melissa HORNE: Gheringhap, yes – that is your neck of the woods, isn't it, Mrs McArthur – to reopen a passing track.

Members interjecting.

Melissa HORNE: Ringwood, Gheringhap, South Gippy. That paved the way for longer 840-metre freight trains – it really is getting to the end of the day, isn't it – to run from Sea Lake to Manangatang, to the Port of Geelong.

Bev McARTHUR: Say that again, Minister.

Melissa HORNE: It is Manangatang.

Danny O'BRIEN: Locals just call it Manang.

Melissa HORNE: Okay, we are all getting very frivolous now. Between Echuca and Deniliquin there have been a total of 43,000 rail sleeper replacements – Echuca to Deniliquin, Geelong and Ballarat lines – and also upgrades to the Tocumwal yard. Re-railing also: 1.8 kilometres between Korong Vale and Wycheproof to enable 20-tonne axle loads to grain terminals at Wycheproof and two terminals at Charlton. What that effectively means is that we have got more of our regional rail freight network in better nick, carrying bigger and heavier trains at faster speeds than has occurred in decades. The private sector is absolutely embracing that, and that is great for the Victorian economy.

The CHAIR: Thank you, Minister. Apologies, Mr Tak, your time is up. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Good evening, everyone. I think I am just going to start with the department. Can I clarify, is the ZIM shipping line still operating in the Port of Melbourne?

Paul YOUNIS: The ZIM shipping line?

Aiv PUGLIELLI: ZIM, yes.

Praveen REDDY: ZIM vessels come into the port.

Aiv PUGLIELLI: Okay, thank you. I understand when Nelson Mandela visited Melbourne back in 1990, he thanked Australian workers for leading the world in boycotting ships to apartheid-era South Africa. Now, given that ZIM shipping continues to support and supply a regime which is currently facing allegations of war crimes by the International Criminal Court, Minister, will you prevent ZIM shipping from accessing the Port of Melbourne?

Melissa HORNE: With respect, Mr Puglielli, I do not think that this has got a budget paper reference.

Aiv PUGLIELLI: I could go budget paper 3, page 178. I could go to the mission statement of the 'Department Performance Standards', to:

plan, build and operate a transport network that keeps people and freight moving now and into the future ... This is the Port of Melbourne and ships are coming in.

The CHAIR: Let us go to the budget paper reference if there is one, Mr Puglielli.

Aiv PUGLIELLI: I just gave two. The second one is the 'Department Performance Statement', page 123.

Members interjecting.

Aiv PUGLIELLI: It would be the same point made by Mr O'Brien.

Melissa HORNE: Shipping lines operate in and out of the Port of Melbourne. These are contracted, how, Praveen?

Praveen REDDY: Well, I mean, the other thing is to recognise that they are bringing in valuable imports to Australia, so they are actually supporting Australian communities in terms of the goods that are being transported.

Melissa HORNE: But I think at the heart of it, this is well and truly, Chair, with respect, outside of the budget papers.

The CHAIR: Thank you, Minister. Mr Puglielli, please move on.

Aiv PUGLIELLI: Okay, I will just note I did not get a yes to that question.

The CHAIR: Mr Puglielli, the Chair has asked you to move on. It is not a matter of the minister not giving you a yes.

Aiv PUGLIELLI: Okay, I will move on. What is the Labor government's plan for reducing emissions from freight rail?

Melissa HORNE: Well, thank you. As I have outlined in previous answers, we have got such a massive investment in our regional rail freight. I will not dwell on the investment that we have already done into upgrading the network, but the other thing we have got is the port rail shuttle network. That is effectively three intermodal terminals that are around Melbourne. So there is SCT out at Altona – and this is a combination of a \$58 million investment by the Commonwealth and also the state government to get these up and running. We have got SCT out at Altona. That is up and running. We have got Somerton up in the north that is under construction at the moment and also Dandenong, where that rail connection is already built. This is providing that network to be able to move freight in and out of the Port of Melbourne on rail.

The CHAIR: Thank you, Minister.

Minister and officials, thank you very much for taking the time to appear before the committee this afternoon. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a short break before beginning its consideration of the local government portfolio at 5:30 pm.

I declare this hearing adjourned.

Witnesses withdrew.