

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **2021–22 Budget Estimates**

Melbourne—Thursday, 17 June 2021

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

## WITNESSES

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

Ms Megan Bourke-O'Neil, Deputy Secretary, Policy, Precincts 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.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2021–22 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

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

Mobile telephones should 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 in your ports and freight portfolio. We invite you to make a 5-minute presentation, and this will be followed by questions from the committee. Thank you.

### Visual presentation.

**Ms HORNE:** Thank you very much, Chair. The Victorian freight plan, *Delivering the Goods*, recognises that Victoria needs to move more for less. And since I was last in front of the committee, the Victorian government has made steady progress in implementing actions identified in the plan. In particular we have made considerable progress on the reform of the Victorian port system and moving more freight onto rail.

A key action of the Victorian freight plan, *Delivering the Goods*, was to undertake a comprehensive review of Victoria's ports system, which was the first holistic review in almost 20 years for an industry that has gone through really significant change. As a result of that review, an entirely new organisation called Ports Victoria is to become the foundation of reforms to Victorian ports sector. Operational from 1 July, Ports Victoria combines the Victorian Regional Channels Authority and the Victorian ports Melbourne corporation. Reflecting the government's commitment to regional development, the new entity will be based in Geelong. I intend to release the full government response to the review in the second half of this year.

In relation to the port rail shuttle network, we are working with the freight industry to make better use of our rail assets and support them with their investments to shift freight from road to rail, substantially reducing carbon emissions. We have signed project agreements with three terminal operators of the port shuttle network—with SCT in Altona, Austrak up in Somerton and Salta Properties in Dandenong South—because putting containers on rail will reduce truck movements around the port gate and cut the cost of the last mile, which disproportionately impacts our exporters. This is a massive win for motorists, local communities and industry, and we continue to reduce congestion, get trucks off local roads and make it easier and cheaper for businesses to use rail freight.

The port rail shuttle compliments the other investments we are making in the rail network, particularly the \$125 million port rail transformation project, making the port more accessible for shuttle and regional trains. The extension of the mode shift incentive scheme supports these investments and provides incentives to move over 42 000 containers by rail, removing 28 000 truck trips off country roads and reducing truck congestion around the port of Melbourne. The government's \$83 million of stimulus funding in Victoria's regional freight network delivered critical upgrades and created vital local jobs when Victorians needed them most. We know intermodal terminals play a big part in the shift from road to rail, and that is why we are working with the commonwealth to deliver terminals in Melbourne's west and north.

Our local ports are driving economic growth and employment, providing benefit to the local and regional economies of at least \$760 million per annum and supporting almost 10 000 full-time equivalent jobs. That is why in this budget we have announced a \$7.5 million investment, which includes \$5 million for critical repairs at the Apollo Bay breakwater and the Lakes Entrance training walls, and a further \$2.5 million to develop and implement a sustainable local ports framework.

The tender is underway for the redevelopment of Melbourne's much-loved St Kilda Pier, and construction is set to commence later in this year, with completion in late 2023, followed by the demolition of the old pier. The new pier will provide safer access and easier access for everyone—things like new public toilets, seating and back-of-house amenities at the kiosk. The designs also include a timber penguin viewing platform to keep the cutest St Kilda residents safe. Our \$50 million investment in the St Kilda Pier redevelopment is the biggest construction project for any pier asset in Victoria's history and will breathe new life into the iconic bayside destination.

Chair and members of the committee, the government is making those vital investments and reforms to position freight as one of the key drivers of the Victorian economy while reducing its environmental impact.

**The CHAIR:** Thank you very much, and I will pass to Mr Maas.

**Mr MAAS:** Thank you, Chair, and thank you, Minister, and your team for your appearance this afternoon. If I could take you to the topic of rail freight investment and specifically to budget paper 3, page 107. There is funding of \$3.6 million to extend the mode shift incentive scheme. I was hoping you would be able to inform the committee how that might increase efficiency and cost-effectiveness in and around our port precincts.

**Ms HORNE:** Well, thank you very much, Mr Maas. Absolutely the mode shift incentive scheme is a vital program that we have got going and has been going for a considerable period of time, because it is one of those incentives that supports the behavioural change and supports our primary producers to start shifting much of our freight out of regional Victoria onto rail. Over the last six years we have invested more than \$30 million in this project, because we know the importance, with the freight task growing so much, and particularly, as we have seen out of regional Victoria, with so much of our primary product getting out to market, it is really important to create that efficiency for primary producers in particular to be able to put containerised freight onto rail and get it out to the market.

Whether it is things like the B-double from Woolworths in Wodonga travelling down the Hume or it is containers of produce coming out of Mildura to the port of Melbourne or a load of wood chips from Heywood to the port of Geelong, this is being driven by growth in new export markets. So we are seeing both an increase in the export task and freight travelling longer distances, and we know that the further the freight travels, the greater the competitive advantage that we have got in rail over road. It produces less carbon. It is much more efficient. It has got lower crash rates than road transports, because road accident costs are actually 20 times higher than rail for every tonne-kilometre of freight moved. And rail also reduces the damage caused to our roads in and around the port of Melbourne, something that I know too well, living very close to the port of Melbourne, and also, too, in our regional ports like Geelong, Portland and Hastings. So having fewer trucks on our local streets and country roads means we have got much safer roads for our local communities.

And those reasons are why we have continued to support the mode shift incentive scheme, and in this budget we are committing \$3.55 million for the continuation of that scheme. As I said, this will effectively move 42 500 TEUs—or 20-foot equivalent units—by rail and save about 28 000 truck trips on roads. We have got four recipients who have received funding over a number of years. On the Shepparton corridor we have got Linx Portlink, and they do things like move grain, hay, rice, potatoes, cottonseed and dairy products. On the Horsham corridor with the Wimmera Container Line coming out of Dooen, they basically move grain, hay and pulses. Along the Warrnambool corridor we have got Westvic Container Export at Dennington, who freight meat and dairy products predominantly as well as some machinery. And in the Mildura corridor there is Seaway Intermodal up at Merbein, and they of course transport the fruit bowl, pretty much, of Victoria out there.

So as I said, extending this scheme will take thousands of trucks off road, and it is one of a number of initiatives that we have got outlined in the Victorian freight plan to be able to provide that step change to get more freight onto rail as our freight task grows.

**Mr MAAS:** Thanks, Minister. You provided an update on the port rail shuttle network in your presentation. I was hoping you would be able to expand for the committee on the importance of the port rail shuttle in managing Victoria's freight task.

**Ms HORNE:** Absolutely. Thank you very much, again, for the question. This is pretty exciting. I have got to say these were projects that were conceived nearly 20 years ago and have gone through a long process to be able to get where we are, where we have got project agreements signed for each of the port rail shuttle networks, and they are currently in the design phase around the network. As I said in my presentation, we have got a project agreement in place down at Altona with SCT, up in Somerton with Austrak and also, too, down in the south-east with Salta Properties. They are currently in the design phase.

If we think about the actual freight task that we have got to move, rail transports 22 per cent of Victoria's total freight task and 30 per cent of the state's non-urban freight task but only 11 per cent of throughput at the port of Melbourne. So what we need to really be able to do is get these port rail shuttle networks up and running at the same time that we end up with that on-dock rail solution that is being built down at the port of Melbourne—that will be built by 2023—so that effectively we are building this rail freight network in and around Melbourne.

This is something that we are doing from the ground up. It has never been done before. Just in terms of the importance to our economy, short-haul rail for freight is absolutely an opportunity to make a real difference to the way freight moves in and around Melbourne. As I said, it reduces truck congestion in and around the port of Melbourne—something I know too well. And the vast majority of containers that are coming out of the port of Melbourne are actually empties and they are going back. You know, one of our greatest exports is unfortunately empty containers. So if you drive down Footscray Road and past the port of Melbourne and see those containers stacked up high, they are vastly empty containers that are waiting there to be shipped overseas to be refilled and brought back into the port of Melbourne. So having that ability to be able to have the port rail shuttles that take the freight task out into the suburbs, on rail, so that then we can have those hubs in and around Melbourne, is absolutely critical. That is what we are building, and I think it is a pretty exciting opportunity.

The other thing that it does is it is effectively—we have provided seed money for then the private sector to invest. You have a look at, say, Salta, and what they are planning to do down at Dandenong is then use the little bit of money that we have provided them through this grant to then really invest, because what they want to do is grow and expand their business, because they see that ability to create this big intermodal hub down there. Similarly, out in Altona we have got SCT, who have got a contract with BlueScope Steel. Now, they want to be able to invest, put their own money in, leverage from the investment that the state has given, so that then they can grow their business, create jobs and grow the Victorian economy.

**Mr MAAS:** Thanks, Minister. In the time I have remaining, I might take you to the mentioned investment in our piers and jetties. That included a \$50 million investment in St Kilda Pier. Would you be able to provide more detail on this initiative?

**Ms HORNE:** Sure. And as I said, you know, St Kilda Pier is our much-loved iconic pier. You know, our port infrastructure has a replacement cost of over \$650 million and provides very significant benefit to us. So we have a \$50 million investment in St Kilda Pier that is going on as we speak.

But we have done more than that in this budget. We have also got a \$7.5 million investment that is going on. \$5 million of it will provide critical repairs needed at the Apollo Bay breakwater and also to the Lakes Entrance training walls. I was out at Lakes Entrance not that long ago and seeing the plans for what they are doing out there, understanding, you know, the works that need to be done. It was really important and really good to be able to see that investment.

**Mr MAAS:** Excellent. Thank you, Minister.

**The CHAIR:** Thank you, Mr Maas. Deputy Chair.

**Mr RIORDAN:** Thank you, Chair. Welcome, Minister. You have spoken a little bit this afternoon about the mode shift incentive scheme, and I want to just delve into where the government's real commitment is for that. Back in previous periods that was being funded to the tune of \$5 million, you have dropped it to 4 and now you have dropped it down to 3.6. That represents about a 10 per cent year-on-year cut to this important sort of reform. Why is that?

**Ms HORNE:** So the key thing to understand about the mode shift incentive scheme, so we have got the freight task growing exponentially. We have got a policy that is about shifting more of the freight task onto rail, and this is just one of the levers that we have got happening. The thing to remember about the investment that we are making in the mode shift incentive scheme is that it is still moving the same amount of TEUs as it has previously and will continue. But this is just, as I said, one of those key things in the entire growing the rail freight task. The port rail shuttle is happening. We have got the on-dock solution down at the port of Melbourne happening. We have done the business case for the western intermodal freight terminal and the Beveridge intermodal freight terminal, and my colleague Jacinta Allan is negotiating with the commonwealth to get that, so it is just one of those pieces in that entire jigsaw to be able to get more freight—

**Mr RIORDAN:** So would you—I mean, your contention is that you are growing the rail freight component. Does it concern you then that in a report put out by the ACCC, their *Container Stevedoring Monitoring Report* last year, they say that in the 2013–14 financial year approximately 14 per cent of all freight coming in and out of the port of Melbourne was by rail. To 30 June last year we are down to 7.5 per cent, so it is a 50 per cent reduction in container movement on rail. So how does that stack up with the government’s rhetoric? And to me it is probably confirmation of the effect of the cuts you are putting through the mode shift incentive scheme.

**Ms HORNE:** The key to this, Mr Riordan, is actually having the infrastructure to support it, because without that critical piece of infrastructure, which is that on-dock rail solution that the port of Melbourne is currently building—I think they have gone out for detailed design works at the moment, and it will be built by 2023—you just have this sort of patchwork of rail freight down at the port, so it is really difficult for there to be a holistic way of getting those containers out of the port and also in. So that is what I mean. We are building the infrastructure—

**Mr RIORDAN:** So it is true that we have had a 50 per cent reduction in containers in and out on rail?

**Ms HORNE:** Certainly we need to lift the rail freight task, and that is something that this government has recognised for a number of years, because our freight task is set to double in the next 30 years. That is why we have gone ahead and we have invested in the port rail shuttle networks. We have—

**Mr RIORDAN:** Cut the funding.

**Ms HORNE:** We have got that important infrastructure going on. We will get to a point where the mode shift incentive scheme, because it is an incentive for primary producers to shift their containers onto rail, is not actually required anymore because there will be the infrastructure in place and the economies of scale where freight-forwarders and primary producers can book a container—

**Mr RIORDAN:** But, Minister, if we are looking at the reality of the six years you have been on the watch, we have halved. That is not just a little reduction. A 50 per cent reduction in container traffic is pretty significant. The funding that you tell us you are putting in place to boost it and to grow it, you are reducing. There does not really seem to be a real commitment to getting more container traffic onto the rails, is there?

**Ms HORNE:** I think you are just repeating the question, and my answer will be the same in that you need that infrastructure to be able to support the growing freight task, and that is what we are getting on and doing. As I said, that on-dock rail solution, which is so vital, is actually the key to moving things. It is why we built it into the lease of the port, and it will be done by 2023.

**Mr RIORDAN:** Okay, so when we talk about this government’s commitment to ports, we have got things going backwards in container traffic out of the Melbourne port. If we look at Geelong, close to my home ground, we have got the great news that the Tasmanian ferry is going to come in, but this government has not put any funding towards the support of getting that up and running, have they? I mean, that is one of the biggest catalyst changes possible to tourism and freight and everything between Victoria and Tasmania, and the government have just left them high and dry, haven’t they?

**Ms HORNE:** Well, let us have a look at it. There are a couple of things in your question. Firstly, in relation to TT-Line, that was a decision by the Tasmanian government, and of course we welcome that opportunity for regional development that that additional tourism traffic may bring. That is terrific. In relation though to the freight task down at the port of Geelong and the investment that this government has made, I reckon it was about three months ago I was down there having a look at a thing called the C box, which is just outside the

port of Geelong. This is an old signalling system that we went in and upgraded. You know how you see those signalling boxes beside rail? Well, up until three, six months ago, it actually required someone to go in manually and change the levers. As a result of us upgrading that, putting that vital investment into that really small bit of infrastructure, GrainCorp told me that they have managed to get a million tonnes of grain out through the port of Geelong simply because they did not rely on someone working from 9 to 5 to go in there and manually move systems. It was like something out of the ark.

**Mr RIORDAN:** So I guess those manual movements now will be able to go down and stand on the road and help the trucks get in and out of the new terminal to Tasmania, the freight trucks, because you are not prepared to back up the necessary infrastructure reforms there.

**Ms HORNE:** No, let us be really clear. That is a road project that you are talking about. But also the port of Geelong is working with the commonwealth, and we are helping support them there.

**The CHAIR:** Thank you very much. Mr Hibbins.

**Mr HIBBINS:** Thanks, Chair. Thank you, Minister and team, for appearing this afternoon. I want to ask for an update on the former Melbourne Market site, because I understood when we spoke there was an expression of interest going out and it was due to be shortlisted. Where is that project?

**Ms HORNE:** That has gone out for a request for tender, which is pretty exciting. That will be due in the next few weeks. Praveen, can you take us through the procurement process of that?

**Mr REDDY:** Yes. Thanks, Minister. Thanks, Mr Hibbins. The Melbourne Market site went out for a request for proposal to a shortlisted number of proponents. The process is being run by VicTrack. Because I am not on the evaluation panel I am not privy to the actual proponents. Really the work that has been done over the course of last year in setting up for this request for proposal was to determine the most beneficial use in terms of ports and freight uses for that precinct. VicTrack will continue to run through the process, evaluate proponents and make a recommendation to government.

**Mr HIBBINS:** So you have made a request for organisations to make proposals and then you are going to assess those, is that correct?

**Mr REDDY:** Correct.

**Mr HIBBINS:** Okay. All right. Thank you. I want to ask about the federal funding announcement for inland rail. In terms of the intermodal terminals, does the Victorian government have a preferred site for that intermodal terminal—northern or western?

**Ms HORNE:** Look, absolutely we do. The work that has been done by the department shows that it is out in the west where it really stacks up and where we need the intermodal freight terminal. Look, it is one of those things where we are going to end up needing both, but at the moment out in the western suburbs we have got the freight task that is the equivalent of Adelaide or Brisbane. It is just massive. What the work that we have done has shown is that there are approximately 5500 hectares of available land out there. There is that real interconnection that could come down off the OMR and into there and get our freight task out through to Adelaide and also up into the north, and there are about three or four available rail paths then into the port of Melbourne. That is really important because up in the north there are only about 3400 hectares of land available. There is not quite the manufacturing base up there either. The work at the moment shows that if it is stopped at Beveridge, it would end up putting much more freight onto trucks, whereas at least out in the west it actually puts that freight onto rail and then provides that efficiency for freight-forwarders, because we know that as soon as it comes off rail and goes onto a truck it is not going back the other way.

**Mr HIBBINS:** And is there any planning being done for a connection from a western intermodal terminal to the actual port of Melbourne, like a rail connection?

**Ms HORNE:** That is the next piece of work that needs to be done. As I said, there are a number of freight paths available. Megan or Praveen, who has got—

**Mr REDDY:** Thanks, Minister. You may be aware that the commonwealth government announced some funding for a business case to develop that import-export terminal with a connection into port, so that is what that work is really focused on.

**Mr HIBBINS:** All right, terrific. Thank you. Thanks, Minister. Thanks, Chair.

**The CHAIR:** Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of the ports and freight portfolio. We thank you for appearing before the committee in this capacity today. 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 take a short break before resuming with you for consideration of the fishing and boating portfolio. Thank you.

**Witnesses withdrew.**