

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget Estimates 2019–20 (Ports and Freight)

Melbourne—Wednesday, 12 June 2019

MEMBERS

Mr Philip Dalidakis—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge

WITNESSES

Ms Melissa Horne, Minister for Ports and Freight,

Mr Paul Younis, Secretary, and

Mr Michael Hopkins, Deputy Secretary, Policy and Reform, Department of Transport.

The CHAIR: All right, everyone. I can feel the excitement in the air as we move into another hearing, so I declare this hearing open of the Public Accounts and Estimates Committee.

On behalf of the Parliament, on behalf of the committee members and on behalf of everybody across Victoria, the committee is conducting this inquiry into the 2019–20 Budget Estimates. Its aim is to continue to scrutinise public administration—something I think we have done very well so far—and to improve the outcomes for the Victorian community, intergenerational. The committee will now begin consideration of the portfolio of ports and freight.

I welcome the minister back to the table of course and also officers new and old.

All evidence given is protected by the Parliamentary Committees Act. This means that it attracts parliamentary privilege and is protected from judicial review. Witnesses found to be giving false or misleading evidence will have to spend a day with Mr Riordan or be held in contempt of Parliament and subject to penalty. Just joking, Deputy Chair. I would love to spend a day with you. Minister, I invite you to—

Mr RIORDAN: A day in my electorate? Just ask the Secretary of the Department of Transport, who can confirm. He can confirm.

The CHAIR: No, it was with you, not in your electorate. Minister, I invite you to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee, at least those of us that are here. Minister, over to you.

Ms HORNE: Thank you, Chair. Are you calling me old?

The CHAIR: No.

Ms HORNE: Okay, that is good.

Visual presentation.

Ms HORNE: Freight is an important economic driver, and I want to use that opportunity today to reinforce what we are doing and what our current work is delivering. Freight contributes a massive \$21 billion to gross state product and employs about 260 000 Victorians. That is why we are the first government in Victoria's history to give freight a place at cabinet and to first genuinely embrace freight as a vital sector of the Victorian economy. We established Freight Victoria to oversee the freight transport system and provide trusted advice to government and industry. We have developed the *Victorian Freight Plan*, launched late last year, and I want to use today's presentation to talk to how through that plan we will deliver the goods for all Victorians.

The *Victorian Freight Plan* outlines a suite of short, medium and long-term actions so that we can achieve an efficient, safe and sustainable freight and logistics system. Three key freight initiatives are funded in this budget, and first we are revisiting the principal freight network. The PFN was developed 10 years ago to guide land use planning and development applications around freight corridors and freight precincts to ensure that the movement of heavy freight was not compromised by new development. A review is needed to expand the network and to ensure that land is reserved for future freight operations. One of the significant places will include, in the PFN, the western interstate freight terminal, which will replace the current facility at Dynon. Truganina has been confirmed as the best location for the new terminal. It is close to around 50 per cent of existing interstate rail freight customers and has good road access to other parts of Melbourne and capacity to accommodate demand for rail freight beyond 2050.

We are also boosting freight efficiency at the port of Melbourne, where container imports grew a massive 5.9 per cent between July and December. Containers are expected to grow at a faster rate than other types of freight, so we are focusing on ensuring Victoria can handle these increases without triggering the truck use and congestion that add cost to our everyday goods. We are continuing to deliver the port rail shuttle network and evaluate on-dock rail—both major initiatives—to help better use our rail freight facilities and take more trucks off local roads. We are also investigating the former Melbourne Market site for freight use to give transport operators and stevedores the space needed to meet the challenge of rapidly growing freight volumes. To ensure we get more freight onto rail the budget extends the mode shift incentive scheme, which for over 10 years has made rail more attractive than road for regional exporters to move their containerised produce and manufactured goods to port.

This year's budget invests \$50.3 million to deliver a rebuilt St Kilda pier, boosting tourism, adding more open space and preserving the iconic landmark for generations to come. The design will protect the St Kilda penguin colony, while providing locals and tourists with better facilities and a better place to watch the little penguins when they waddle back to their rock homes at sunset.

The budget also continues our \$5.8 million investment over two years in Station Pier, to deliver on planning for the pier to meet three important objectives: economic growth, local amenity and the protection of local assets.

As part of this year's budget we will also deliver 11 projects at seven local ports throughout Victoria. These projects will include dredging at Apollo Bay, Port Fairy and Warrnambool; breakwater repairs at Apollo Bay and Gippsland Lakes; pier renewal and wharf reconstruction at Portland Pay, around Port Phillip and Western Port; and investigations at Apollo Bay, Gippsland's lakes and Port Fairy. This work will help these local ports deliver services to those whose livelihoods rely on them, in particular commercial fishers and local boaters as well as the countless local businesses and related industries who rely on the flow-on from fishing and tourism.

The CHAIR: Thank you, Minister. We will move straight into questions.

Ms STITT: Thanks, Minister. Obviously, Minister, the freight industry is heavily reliant on heavy vehicles. I want to take you to budget paper 3, page 100, and ask you to explain the \$4 million over four years that is being provided for heavy vehicle and truck drivers, and talk to us a little bit about the knowledge and skills that are associated with that program to make our roads safer around our port facilities.

Ms HORNE: Sure, and, look, thank you very much. Living in Melbourne's western suburbs, making sure that truck drivers are trained—and living next door to the port as well—having a strong freight and logistics sector and being able to separate freight traffic and improve local amenity is absolutely critical for me. One of the things we are doing with that \$4 million is actually providing those heavy vehicle and truck drivers with the knowledge and skills to be safer on our roads. It is one of the things that I have spoken to the head of the Victorian Transport Association, Peter Anderson, about many times, and that real need to be able to train truck drivers to be able to invest in their skills so they know not only how to move around the network but we are also getting more young people into truck driving.

Truck drivers are much older than the average workforce, and again like the whole transport sector it is an ageing male cohort. The average age of a truck driver is 49, which is up from 43 just a few years ago. One in five working drivers are at retirement age, and so by using this investment of \$4 million we will be able to help the industry attract and recruit younger drivers, make it more interesting for them and be able to encourage young people to take up careers. We will be investing in their skills and development and working with industry to achieve that.

Ms STITT: Thanks, Minister. So who are the recipients of the funding under the heavy vehicle driver training program?

Ms HORNE: I mentioned Peter Anderson before, who is the head of the Victorian Transport Association. They were allocated a grant to be able to conduct one of their heavy vehicle education and training programs. Having been down to their centre—they are really innovative in how they deliver that training. They get young truck drivers down into their centre right on the port. They show them exactly how trucks move around there. They really invest in their skills to be able to give them some innovative training down there.

Ms STITT: Minister, what other work is underway to address the skills shortage in the sector?

Ms HORNE: We are conducting a review of the heavy vehicle licensing and employment pathways to ensure that the heavy vehicle licensing system is making sure that we have got safe and competent drivers and there are those employment pathways for heavy vehicle driving in Victoria. The heavy vehicle licensing component of the review will consider areas for improvement in the Victorian heavy vehicle licensing system and the progression and adequacy of current training and assessment. This will consider barriers to address industry concerns about attracting and retaining drivers. Since 2016 over 72 drivers have completed heavy vehicle cadetships and driver delivery programs, and industry has responded particularly positively about this. One of the key things that you have got to remember is that freight actually is the key driver of our state's economy, and being able to invest in freight and drivers is important to keeping our economy thriving.

Ms STITT: Thanks, Minister. Can I just now turn to the issue of congestion on our roads and in particular in the inner west the need to get as many trucks as trucks as possible off our inner-western suburban roads. I notice in budget paper 3, page 100, that there is funding for the mode shift incentive scheme, which is about getting trucks off our roads and freight onto rail. Can you just talk a little bit about your plans in this area and what kind of efficiencies and what that is going to do for truck movements and road congestion around port precincts?

Ms HORNE: Thank you very much. The mode shift incentive scheme is an incentive program which is about getting containerised freight off our roads and onto our rail. When I started working in transport more than 10 years ago, this has always been a bit of a Holy Grail for government policy—to be able to shift more and more freight onto the rail network—and so having a mode shift incentive scheme is actually critical to be able to provide that incentive to different service providers or different freight movers to be able to incentivise them to get more and more freight off our roads and onto our rail. This year's budget extends the mode shift incentive scheme for a further 12 months, and that is about again encouraging industry to shift more freight from road to rail. It will take thousands of trucks off our state's road every week and will make a difference particularly, as you and I know, in the inner west and in the western suburbs where much of the freight task is. This investment will support approximately 42 500, 20-foot equivalent units, or TEUs, containers by rail, and that will convert to about 17 000 truck trips off our roads.

Ms STITT: What are the incentives of the mode shift scheme for industry?

Ms HORNE: We expect this scheme to facilitate, as I said, about 43 500 TEUs for a total rebate of about \$3.5 million. The recipients of that funding are Iron Horse Intermodal in Mildura, which is now called Seaway Intermodal—I met with the head of that just last week—Westvic containers in Warrnambool, Linx Portlink in Tocumwal and Wimmera Container Line in Doon, near Horsham.

Ms STITT: How are the rebates calculated, Minister?

Ms HORNE: The rebates are based on the 20-foot equivalent TEU containers transported by rail. That cap has remained constant, and the rebate has decreased by 5 per cent each year.

Ms STITT: Okay.

Ms HORNE: Am I still going for time?

Ms STITT: Yes, that is okay. I have got another question for you.

The CHAIR: Fifteen more seconds.

Ms STITT: You might want to take it on notice if I do not get it all out in time, but I just wanted to ask you about the upgrade of the St Kilda Pier and what budget allocations there are for that.

The CHAIR: Minister, you will be able to take that on notice as we move to the Deputy Chair.

Mr RIORDAN: As a member with two ports, I can always put a big plug in for the Apollo Bay and Port Campbell waterfronts to be well looked after. Minister, the port of Melbourne is looking to implement a rail

solution to the dockside to be funded by a new charge on imported containers. This charge will remain in place for the life of the lease, with proceeds going to the consortium's coffers. What impact would this proposal have on the government's plan for the port rail shuttle network?

Ms HORNE: Thank you for your question. An on-dock solution and port rail shuttles are really important to me. What the previous government did, in the last term when the lease was developed by the Andrews government—

Mr RIORDAN: The one with no cap on charges.

Ms HORNE: No, hang on a sec—

Mr RIORDAN: The one with no cap on charges—that lease, yes.

Ms HORNE: One of the requirements of that was that the port then needed to come to government with a rail access strategy, which included an on-dock rail solution.

Mr RIORDAN: With no cap on charges also.

Ms HORNE: As I said, the port needed to come to the government with a rail access strategy which included an on-dock rail solution.

Mr RIORDAN: Minister, do you believe that this plan from the port of Melbourne is fair to importers who use stevedores at Webb Dock, who will be charged this new fee but will not have the cost benefit of dockside rail because the port's proposal only delivers rail to Swanson Dock?

Ms HORNE: What the government is doing at the moment—

Mr RIORDAN: It seems a big win for the port owners.

Ms HORNE: At the moment we are considering what that might look like. There has been no decision made by government yet.

Mr RIORDAN: I will give you a tip, Minister. It means that a whole bunch of people are going to pay for something that they do not get a benefit for.

The CHAIR: Do you know what would be a better tip? A horse. If you could give me a winning one, that would be great.

Mr RIORDAN: I am thinking it is a better tip than what the poor old importers down at the dock are feeling at the moment.

Ms HORNE: As I said, there is a proposal before government at the moment, and we are doing the due diligence before we accept that. However, the most important thing—

Mr RIORDAN: Have you consulted with any of the stevedoring companies in that due diligence?

Ms HORNE: Yes.

Mr RIORDAN: All people affected by these ever-increasing charges at the port you have met with and consulted with?

Ms HORNE: I have had a number of conversations with a range of stakeholders, and the department is currently—

Mr RIORDAN: And they have raised these concerns with you?

Ms HORNE: Sorry, there is a proposal before government at the moment to consider what the port of Melbourne is doing, as put before us, for that on-dock solution.

Mr RIORDAN: Okay. So why will the port of Melbourne be allowed to continue collecting its new container import charge once the rail system it was designed to fund will be operational and all costs recouped?

Ms HORNE: Sorry, I think you are operating under the premise that the government has made—

Mr RIORDAN: Can you rule that out?

Ms HORNE: Sorry, I think you are operating under the premise that the government has made this decision.

Mr RIORDAN: No, I am just asking you questions. I just need you to clarify.

The CHAIR: You also need to let the minister answer, Deputy Chair.

Mr RIORDAN: I am letting her. I am just asking. We have the situation with the port that you have sort of got uncapped charges going onto port fees, and now we hear that we are going to have an upgraded rail system that some people will benefit from but that everyone will pay for, and there is no sunset clause on that either. Can you confirm that?

Ms HORNE: I am not sure if I can make it any clearer for you. The government is currently considering a proposal. There has been no decision made.

Mr RIORDAN: So you could rule that out then, could you?

Ms HORNE: I could rule it out. We can rule it out; we can rule it in. The thing that needs to happen is that—

Mr RIORDAN: No, no, no. It is a policy position. Do you rule out consumers and Victorians and businesses being charged for something that they will get no benefit from in the port?

The CHAIR: I do not know. Do you use Meals on Wheels, because council rates go to that too?

Mr RIORDAN: Chair, I was not talking to you. I am asking the minister. This is infrastructure; it is important infrastructure—someone does need to pay for it, but it is who pays for it that is the question. We have seen example after example down there where the government just, through poor policy, is not putting caps on the port owners down there.

Ms HORNE: Well, there are a number of things that are actually incorrect in the assumptions that you are making. But what I will say is that there is a proposal before—

Mr RIORDAN: Look, we need to keep moving on, but the point is you are not going to rule out the fact that it could be endless charges applied to importers down at the docks for the rail project.

Ms HORNE: What I am saying is that this is a government that has a commitment to an on-docks rail solution because we have a commitment to getting trucks off streets—

Mr RIORDAN: No, there is no argument. The solution is a good solution, but it is how you are paying for that is the problem. At the moment people have been led to believe that it is going to be an endless charge, and I have asked you to rule an endless charge out and you seem reticent to, so perhaps we will—

Ms HORNE: As I said, there is a proposal before government and we are considering it.

Mr RIORDAN: Okay, but you are not ruling out that thing. So you could actually consider charging people endlessly for services that they do not get.

Ms HORNE: I am not here to answer hypothetical questions, I am sorry.

Mr RIORDAN: Well, it is not a hypothetical. You just said that you have got the proposal before you. You have to make a decision. I am asking you for a policy position going forward that affects millions of consumers in Victoria and affects many businesses and what your position is going to be. So we will leave that as unanswered, Minister. Minister, can you explain why the number of containers shifted under the mode shift

incentive scheme—budget paper 3, page 341—this has reduced from 56 950 to an expected only 42 500 in the 18–19 year? And further to that, can you comment or confirm that the reduced number is a reflection of what we have been talking about—the increased charges at the port of Melbourne when compared to other ports? Is business transferring away from the port of Melbourne?

Ms HORNE: Well, there are a couple of things going on there. The mode shift incentive scheme has been extended for another year because, as I mentioned before, it is important to provide industry with that incentive to be able to get more of the freight task onto rail. The important thing to remember too is there is a number of—

Mr RIORDAN: You seem to be getting more of the freight task going to other states, Minister.

Ms HORNE: Sorry?

Mr RIORDAN: That seems to be a state shift rather than a mode shift. Well, there is a significant reduction in throughput.

Ms HORNE: Of the results for the TEU transported? Look, can I just say that it is important to realise that there are a couple of things going on here with port rail shuttles and being able to get the infrastructure in place to be able to increase the amount of—

Mr RIORDAN: I think the main thing going on is the skyrocketing charges of the port.

Ms HORNE: Sorry?

Mr RIORDAN: The skyrocketing charges seem to be a major driver in the reduction in throughput.

Ms HORNE: Are you talking about the on-dock solution again—that is being considered by government?

Mr RIORDAN: Well, no. I am asking you: is the reduced number of a reflection of the increased charges through the port of Melbourne?

Ms HORNE: As I said, this is a complex policy setting and a complex range of commercial—

Mr RIORDAN: Most operators I have spoken to do not think it is too complex it is just expensive.

Ms HORNE: We have seen stevedoring charges increase across the eastern seaboard and that is actually why we have got a price access review going on at the moment. This is the first of its kind to happen in Australia.

Mr RIORDAN: The review?

Ms HORNE: Yes.

Mr RIORDAN: Is this a reflection that the ongoing delays of the port rail shuttle project are having an impact on freight transport and in fact forcing more trucks back onto our roads, going against the priorities of the Victorian freight plan?

The CHAIR: Deputy Chair, we will have to leave that as a question on notice as we move to Mr Hibbins for the last 3 minutes of the session.

Mr HIBBINS: Thank you, Minister, and team. Budget paper 3, page 339, transport safety and security: my understanding is that since the introduction of a second sea pilot service provider you are going to undertake a review of regulatory settings for piloting. Has that been completed and, if so, what were its findings?

Ms HORNE: There has been a review of pilotage underway, yes, and that has been completed with the admission of a second pilotage provider into the market.

Mr HIBBINS: Sorry, the review was done before the second pilotage provider or was it done subsequent to the second pilotage provider?

Ms HORNE: No, sorry, with the entry of that second pilot operator, DoT was asked to lead a review of the regulatory framework for pilotage services.

Mr HIBBINS: They have been completed?

Ms HORNE: Yes.

Mr HIBBINS: And what were the findings?

Ms HORNE: It made a number of recommendations regarding safety risk management and the registration of pilotage service providers, but I might get Michael Hopkins to actually take you through those.

Mr HIBBINS: That would be great. I would appreciate that.

Mr HOPKINS: Thank you, Minister. The review identified a number of key recommendations, including the development of a code of practice in respect of pilotage service providers, safety duties, a review and revision of the training and licensing standards for marine pilots and a pilotage coordination advisory committee to bring together the regulators. One of the reasons that we needed to do the review in the first place was because there is an interplay between the role of Transport Safety Victoria as the regulator and the safety duties that the harbourmaster has, and those flow-through to the port of Melbourne, the VPMCs. Those actions are underway at the moment, and we are expecting to implement those in the next six months.

Mr HIBBINS: Okay. Thank you. So the sea pilots themselves, the boat companies, are aware of the findings in the review?

Mr HOPKINS: Yes. They were both involved. We engaged with all of the transport safety regulators in the industry.

Mr HIBBINS: Okay. Thank you. I would like to ask now about the port rail shuttle—some clarification of the status of the south-east part of that particular project and where that is standing now. Has the government secured a south-east part for that particular project?

Ms HORNE: As you would be aware, with that south-east port rail shuttle, it was a company called Salta Properties, and they are not currently participating in that current request for proposal. They withdrew from that.

Mr HIBBINS: Okay, but is an alternative being sought?

Ms HORNE: At the moment what we are doing is focusing on working through the two grant recipients in the west and also in the north and just finalising the details around those.

The CHAIR: Like a good block of dark chocolate, all good things must come to an end, and so your session as well, Minister. Thank you for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and response will be required within 10 working days of the committee's request. I declare this hearing adjourned.

Witnesses withdrew.