

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2023–24 Budget Estimates**

Melbourne – Wednesday 14 June 2023

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell



**WITNESSES**

Ms Melissa Horne MP, Minister for Ports and Freight,

Mr Paul Younis, Secretary, and

Mr Praveen Reddy, Executive Director, Freight Victoria, 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 2023–24 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 this morning 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 and officers from the Department of Transport and Planning. Welcome. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes, and committee members will then ask questions.

**Visual presentation.**

**Melissa HORNE:** Thank you very much, Chair. Melbourne is a growing city. We know that the movement of freight is a key economic enabler supporting this growth. We know that the freight task is growing, set to almost triple over the next 30 years. We also know that roads will continue to do the heavy lifting, especially on that last mile, to things like supermarkets and retail outlets. But we also want rail to do more. That is why, over the last 12 months, we have seen significant progress in delivering a port rail shuttle that will move containerised freight in and out of the port by train.

We have partnered with the Commonwealth to invest in new rail connections to private terminals at Altona, Somerton and Dandenong South, which will become inland ports for tens of thousands of containers every year. This will free the inner city of around 6000 truck movements every day. At the Port of Melbourne work is nearing completion and the tracks are expected to be operational in the coming months. At Somerton access to land required for the terminal has just been finalised and Austrak will commence works really soon. At Altona works are nearly complete and SCT will soon be ready to begin operations, I think just in the next few weeks. And at South Dandenong rail works to the terminal are complete and terminal operator Salta is finalising the design and working to engage a rail operator.

The port rail shuttle is designed to complement the work we are undertaking on the regional rail network, where real transformation is underway. As you can see, projects like the Murray Basin rail project and last year's \$180 million budget funding have brought a huge boost to the capacity of the regional rail freight network. New tracks, upgraded lines, longer passing routes, better signalling and higher axle limits have increased the amount of freight that each train can carry. Rail operators can lengthen their trains from around 650 metres to 800 metres and put more tonnage onto each wagon. It means that a grain train's payload can lift from 2200 tonnes to 3000 tonnes. That is a huge efficiency of about 36 per cent per train.

This year's budget funds three new initiatives in the ports and freight portfolio. It includes \$20 million for the clean air for Melbourne's west initiative, supporting local councils in the inner west to seal old local roads surrounding industrial areas and grants to replace older trucks with more environmentally efficient alternatives. There is \$27.3 million to progress planning and development works to support construction of the Victorian

renewable energy terminal at Hastings and \$46.9 million to rebuild and upgrade some of Victoria's most loved jetties, including at Dromana, St Leonards, Warneet and Williamstown, just as we committed to at the last election. We are taking action to improve the quality of air in the inner west. As a fellow westie here, I know that locals have been vocal about this for a long time, and we have heard concerns about the dust generated by unsealed roads and airborne pollution from old and poorly maintained trucks. Our budget contains funding to tackle this issue. Our \$5 million road-sealing program will provide a co-contribution to local councils, and \$15 million will tackle pollution from old and poorly maintained trucks that will support operators travelling through the inner west to the Port of Melbourne with grants to help them get their older, dirtier trucks off the streets.

In March this year we released our second offshore wind implementation statement, confirming the Port of Hastings as the preferred port to support offshore wind. There is no current adequate port infrastructure in the state which caters with our need to import, build and store offshore wind farms and their components, and Hastings will become that port, subject to EES outcomes of course.

Finally, this year's budget maintains our strong support for local ports, with funding for rebuilding a further four piers: \$10 million for Dromana Pier; \$20 million for St Leonards; \$9 million to rebuild Warneet jetties, both north and south; and \$6 million for critical repairs at workshops in Williamstown.

**The CHAIR:** Thank you, Minister. I am going to throw to Mr O'Brien for the first 8 minutes.

**Danny O'BRIEN:** Thank you, Chair. Minister, I just want to start on the Victorian renewable energy port – \$27.3 million in this year's budget. Did the government undertake any comprehensive comparative analysis of alternative ports in making a decision to spend money on Hastings?

**Melissa HORNE:** Thank you, Mr O'Brien. Yes, we did. We had a look at a number of different ports. We had a look at the Port of Portland. We had a look at the Port of Geelong and also the Port of Hastings. There are a number of factors –

**Danny O'BRIEN:** You did not look at Barry Beach at all.

**Melissa HORNE:** Barry Beach certainly had some investigations as well, and can I say there will be a role for Barry Beach. The key thing about the initial componentry that is needed is a couple of things: it is a requirement to have a deepwater channel and also then an adequate laydown site. The Port of Hastings is ideal for that because it does have that channel, and of course there is the old tyre reclamation area that has currently been rezoned as port area so it can be used for that laydown area. I think the thing that we need to keep in context is just the sheer scale of this componentry. And without a doubt I think there will be options for Barry Beach further down the track.

**Danny O'BRIEN:** There is actually more land at Barry Beach. There are 80 hectares of already zoned industrial land. You are going to have to build a whole new wharf at Hastings.

**Melissa HORNE:** But there is not the channel access, so that is why it was determined –

**Danny O'BRIEN:** But both will have to be dredged, won't they?

**Melissa HORNE:** But that is why it was determined about Hastings.

**Danny O'BRIEN:** What is the total projected capital investment required to bring Hastings to standard?

**Melissa HORNE:** Praveen, can you –

**Praveen REDDY:** Thanks for the question, Mr O'Brien. We are obviously still doing the environment assessment process and planning approvals, so subject to some of the outcomes of that, that will actually determine the final scope. So it would be a bit pre-emptive at the moment to put forward a capital projection.

**Danny O'BRIEN:** Okay. Does the government have any binding agreement with any of the proposed developers to utilise Port of Hastings as their construction port?

**Praveen REDDY:** It is probably best referred to the minister for environment and climate change.

**Danny O'BRIEN:** Well, the question is about the port. We are spending \$27 million in this budget and God knows how much in future budgets, and we do not actually know whether we are going to actually have any customers to use the Port of Hastings.

**Melissa HORNE:** Well, that is why we need to get the EES done.

**Praveen REDDY:** All the proponents are aware that the Port of Hastings has been designated as the preferred port, and they have actually appreciated the market certainty that that involves.

**Danny O'BRIEN:** At least one of them has told me that the steaming time from Port of Hastings is as long as it is from Bell Bay in Tasmania. What is the government doing to ensure that we actually get the benefits of the construction activity here in Victoria and that it does not go to Bell Bay or Eden or somewhere else?

**Praveen REDDY:** Again, that is probably through the minister for environment and climate change. There is a broader skills package and precinct development as well that is being considered to support the clean energy terminal.

**Danny O'BRIEN:** Okay. Right. Clear as mud. Minister, can I go to the port rail shuttle, which you mentioned. In 2014 there was 14 per cent of freight going into the Port of Melbourne by rail. As at April this year it is 5.3 per cent. How have you failed to actually increase the rail proportion going into the Port of Melbourne?

**Melissa HORNE:** Thank you. So there are a number of factors that are about making sure that we are increasing the rail freight share. First and foremost, it was actually about ensuring when there was the transaction that occurred with the Port of Melbourne that there was a requirement in there that they needed to build that missing link down at Swanson Dock. So they have invested \$125 million to be able to do that, which is about providing that linkage of rail down on the dock which will increase the rail freight network.

On top of that of course we have needed to have those port rail shuttles around the city. We have got, as I mentioned, Altona just about ready to move its first trains in and out of the port. We have got work that is happening up in Somerton and also work that is happening down in Dandenong to be able to realise that co-investment from both the Commonwealth government and the state government and also the considerable investment by the private sector to be able to make that operate.

**Danny O'BRIEN:** Minister, budget paper 4 page 87 lists the port rail shuttle. Both the total estimated investment and the estimated completion date are listed as TBC. When will we actually have a port rail shuttle, which has been on the books since you came into government and still has not been delivered?

**Melissa HORNE:** In fact, Mr O'Brien, this has been a vision of many successive governments, but what I can say is that this is predominantly industry driven.

**Danny O'BRIEN:** Well, it is literally here in your budget papers, but it does not say –

**Melissa HORNE:** That is true because –

**Danny O'BRIEN:** There is \$38 million of Commonwealth money. When will it actually be done?

**Melissa HORNE:** As I mentioned, Altona will be up and running very, very shortly. Up in Somerton we have had an issue of land acquisition that has subsequently been resolved, and Austrak is about ready to start the works up there. That is coupled, too – let me just give you a sense of the scale of investment by the private sector and the confidence of the private sector.

**Danny O'BRIEN:** Well, I am not really interested in the scale. I have got two line items here that say 'TBC' on what the government is doing, and I really just want to know when the port rail shuttle will be fully operational.

**Melissa HORNE:** We are working with our private sector industry partners to be able to realise that. We just had, as I was about to say – up in Somerton there is a company Aurizon, who have invested \$1.8 billion in order to get that intermodal freight terminal, that port rail shuttle network, up and running to be able to take

trains in and out of the Port of Melbourne. This is significant investment by the private sector, but of course we are reliant on our industry partners to be able to make this succeed.

**Danny O'BRIEN:** Minister, once again I note that the TBC on both the estimated investment and the completion date is apparently due to the Commonwealth government's infrastructure investment program review. Isn't this just hiding the fact that you have had a blowout in times and a blowout in cost – because this project was already started well and truly before the Commonwealth investment program review began, and it specifically states that the review does not affect projects already underway?

**Melissa HORNE:** I think what is important to remember is that there are contractual requirements with these projects. We have got three proponents in three contractual requirements with Salta, with Austrak and with SCT. These have been entered into with the Department of Transport and Planning. They are being held to account and they are progressing –

**Danny O'BRIEN:** I am asking how the delay is attributed to the Commonwealth infrastructure review, which has got nothing to do with this particular project. Can you tell me when it is going to finish and how much it is going to cost?

**Paul YOUNIS:** Mr O'Brien, in relation to – and I think we spoke about this yesterday – all of the Commonwealth programs, when the budget papers were put together –

**The CHAIR:** Apologies, Secretary. In the interests of time we are going to go on to Mr Hilakari.

**Mathew HILAKARI:** Thank you, Minister, and thank you, officials, for your attendance this morning. Minister, I might take you to the investment in the mode shift incentive scheme. I am just hoping that you can outline that program and what the scheme is actually involved in.

**Melissa HORNE:** Thank you very much, Mr Hilakari. The mode shift incentive scheme has been a scheme that has been in place since about 2008. It is something that successive governments have invested in over a number of years and have invested millions of dollars in. At the heart of it, it has been designed to encourage companies to get trucks off the road and move things onto rail. What we are now seeing, though, is that we have got four operators that are benefiting from this \$3.5 million scheme. Without pre-empting an Auditor-General's report that is coming on the mode shift incentive scheme, what we can see from advice from Freight Victoria and also from talking to people who are out there on the ground is that it is no longer really fit for purpose. That is why we are keeping it for another year – for this year – in the budget before it will then cease, because by then we will have that infrastructure in place to be able to provide that important linkage. So we have got those four freight operators who will continue to receive incentives. They will take a combined 42 500 containers, roughly, by rail. That is the equivalent of about 28,000 truck trips, so it is good for our road network, it is much more efficient for rail operators to be able to shift things by rail and also it is really good for our carbon footprint.

The recipients that we have got at the moment are on the Shepparton corridor, with Link coming out of Tocumwal. They move things like grain, hay, rice, potatoes, cottonseed and dairy products. Along the Horsham corridor we have got the Wimmera Container Line, who freight grain, hay and pulses. On the Warrnambool corridor we have got Westvic, who freight meat, dairy products and some machinery as well. And on the Mildura corridor that Seaway operates, and that comes out of Merbein – you know, Mildura is such a food bowl for Victoria – they move a variety of things. It is important that we have got a variety of levers to be able to achieve what we want to. But ultimately this is an incentive scheme that really has done what it was needed to do.

**Mathew HILAKARI:** You have talked about the importance of increasing the share of freight movement by rail. Can you just outline if the government is doing anything else in that regard?

**Melissa HORNE:** As our state continues to grow, our freight task continues to grow. And I think the amount of freight that we are exporting out through our ports is a real indication of the health of our economy. Every opportunity that we have to be able to move freight more efficiently for our primary producers is really a dollar that is back in the primary producers' pockets in their local communities, and that is so important. But if we have a look at our regional freight lines, over the last two years we have spent nearly a quarter of a billion dollars on regional freight lines, which has really delivered such dividends. We have got freight lines really in

better nick than they have been almost since when they were bought. There are less speed restrictions. There are rail lines that have reopened. There is a vast amount of economic activity that is occurring across the state. This is really important to be able to help our primary producers get the freight task in and out of the ports.

**Mathew HILAKARI:** We mentioned and talked a little bit earlier around the port rail shuttle network. How does that fit in with the mode shift incentive scheme and on-dock rail that you have previously talked about?

**Melissa HORNE:** It is one of the reasons why the mode shift incentive scheme becomes obsolete, because people need that ability to move. They need the infrastructure. They need the rail paths. For example, we have had rail freight paths out of regional Victoria. There used to be 23 rail paths a week – a week or a day? A week. Like, only 23 rail paths could get in and out of the Port of Melbourne. It is now up to 49. That is because there has been sustained investment in making sure that our regional rail freight network is working to capacity and being able to provide not only those freight paths but those longer, heavier trains. Part of the investment has also been through resleepering, reballasting and doing that sort of investment that allows those heavier trains to travel and those much longer trains to travel. They are quite extraordinary in length – 800 metres is a very long train with lots of containers – and you can see the benefit to regional communities and our primary producers.

**Mathew HILAKARI:** And the tonnage that was mentioned in your presentation – they are all great upgrades that will improve the network, so thank you for that. I just might move to piers and jetties if that is okay. Budget paper 3, page 96 and page 102, outline \$46.8 million in upgrades across piers and jetties across the state. Can you elaborate on what that will deliver?

**Melissa HORNE:** This has been the most massive investment in our piers and jetties network really in more than a generation. We know that they are much-loved assets of our Victorian communities. As I mentioned, we have got the St Leonards rebuild of \$20.5 million. I would really like to commend both the current Member for Bellarine and the former Member for Bellarine, who have been such passionate advocates for this, and I distinctly recall receiving hundreds of postcards from St Leonards Primary School, I think it was, just from these gorgeous kids, detailing just how important their pier was.

But of course we have got Warneet south and north jetties. They are being rebuilt at \$9.5 million. I have been down there several times with the Member for Bass. In Warneet – it is not a big area, but the jetties provide really important connectivity for the local communities down there. Being able to commit this money to be able to rebuild those piers that effectively are falling – like, they can no longer be accessed and are no longer safe – is really important. The Dromana Pier rebuild of \$10 million is critical, but also, can I say, from a parochial interest –

**Mathew HILAKARI:** I thought this might come up.

**Melissa HORNE:** Workshops Pier in Williamstown is in a state of significant disrepair. It provides really vital access and is part of, you know, one of the oldest piers on the Victorian coastline down there. Work is underway. It will be delivered by Parks Victoria, and I look forward to Parks Victoria really leaning in and getting this work done quickly.

**Mathew HILAKARI:** Fantastic. You have mentioned a few piers and jetties here of importance, but I am wondering – there are many more around the state. What other activities are government doing on those?

**Melissa HORNE:** There is so much going on it is extraordinary. As I said, this is really an unprecedented investment in repairing our piers and jetties. We have got at Hampton Pier \$3.3 million in works going on. The department, Parks and Bayside council have just about completed the Sandringham harbour precinct plan; that was released at the end of last year. That provided that framework in order to be able to then get on with that reconstruction. Rye Pier of course, we have got the outer section under reconstruction for \$2.9 million. Mornington Fishermans Jetty is being reconstructed for \$6.7 million. I remember going down there, and that is in a pretty parlous state. The first stage of that project will involve the planning for the ongoing use of that marine precinct, and Parks Victoria is preparing a local port area plan for Mornington harbour to help define areas within the harbour for specific uses, so that will help really inform the way that the community uses that area. McLoughlins Beach jetty – I think that is in your electorate, Mr O'Brien. We are rebuilding that for \$1.53 million.

**Danny O'BRIEN:** That was in last year's budget. Rule this out of order, Chair.

**Melissa HORNE:** That is the important work that is going –

**Mathew HILAKARI:** Four coalition seats in a row, Minister.

**Melissa HORNE:** That is right. But that is a jetty that is really close to the end of its useful life, so it is important to be getting there.

**The CHAIR:** Apologies, Minister. We are going to go to Ms Sandell.

**Ellen SANDELL:** Thank you, Chair. I also want to talk about mode shift incentive schemes. Are you saying that really you do not anticipate it is going to need any funding past this year?

**Melissa HORNE:** That is correct. We have had four recipients for a considerable period of time receiving that small subsidy that they need. It is not translating to additional containers. What will and what has been changing the way that there is the take-up of that is the infrastructure that we are delivering.

**Ellen SANDELL:** Okay, thank you. I want to ask about the grants for transport operators to modernise the truck fleet through the inner west. What standards in terms of noise and pollution will operators be required to update their fleet to?

**Melissa HORNE:** I will get Praveen to speak to that in detail. But, look, this has never been done in Victoria or indeed in Australia, so I think this is a pretty big game changer for the communities in the inner west. As you can –

**Ellen SANDELL:** I have only got 3 minutes, so I would love to hear what the standards are, sorry.

**Melissa HORNE:** Sorry.

**Praveen REDDY:** Thanks, Ms Sandell. Essentially, we are designing the program at the moment, but as you probably appreciate, in the inner west there are some very old trucks that do essentially a rat run between the logistics hub and into the Port of Melbourne, so even an uplift in the standard of trucks that are operating. We are looking at what are the incentives around Euro 4, Euro 5, for example, as well as alternative technologies such as electric.

**Ellen SANDELL:** So they are still being developed. Is that what you are saying, they have not been settled yet?

**Praveen REDDY:** Yes.

**Ellen SANDELL:** How much has been allocated to this program?

**Praveen REDDY:** \$15 million.

**Ellen SANDELL:** \$15 million. And when are you expecting that to be settled, in terms of when it will start?

**Praveen REDDY:** We are expecting to launch the grants program in July.

**Ellen SANDELL:** In July, okay. And how many trucks do you anticipate will be upgraded?

**Praveen REDDY:** I think it will just be a mixture of the kind of proposals that we get that fit the parameters of the scheme. We know that if it is a full replacement, that that is a different cost to some retrofits that we might be able to do. As we design up the program we have been working quite heavily with the industry to make sure that whatever goes out there is appropriate and fit for purpose.

**Ellen SANDELL:** You were saying that obviously some of these trucks are very old and emit 60 times more particulate pollution than newer trucks, but I was a little bit concerned by what you said then – that even a small uplift creates a benefit. Obviously that is true, but wouldn't we want to actually set quite a high standard to make sure that communities are protected in terms of health and noise?

**Praveen REDDY:** Absolutely, but we also want to try and maximise the \$15 million in terms of the overall result, particularly around particulates as you would be aware of – PM10s – which are a major issue there, so even by having filtration systems, for example.

**Ellen SANDELL:** All right. Thanks. That is it.

**The CHAIR:** Thank you, Ms Sandell. The time has come for the end of questions unfortunately. Minister and department officials, thank you very much for appearing before the committee today. 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 going to take a short break before beginning its consideration of the portfolio for local government at 10:35 am sharp. I declare this hearing adjourned.

**Witnesses withdrew.**