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LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the Increase in Victoria's Road Toll

Melbourne—Monday, 10 August 2020

(via videoconference)

MEMBERS

Mr Enver Erdogan—Chair

Mrs Bev McArthur

Mr Bernie Finn—Deputy Chair

Mr Tim Quilty

Mr Rodney Barton

Mr Lee Tarlamis

Mr Mark Gepp

PARTICIPATING MEMBERS

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Ms Melina Bath

Mr Andy Meddick

Dr Catherine Cumming

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Mr Gordon Rich-Phillips

WITNESS

Mr Reid Mather, Chief Executive Officer, Rail Freight Alliance.

The CHAIR: Welcome to the Economy and Infrastructure Committee's public hearing for the Inquiry into the Increase in Victoria's Road Toll. I wish to welcome any members of the public that are watching via the live broadcast. My name is Enver Erdogan and I am the Chair of the committee, and my deputy is Mr Bernie Finn. We also have with us Mr Rod Barton, Mr Andy Meddick, Mrs Bev McArthur, Mr Mark Gepp and Mr Tim Quilty, who are also members of our committee.

All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to provisions of the Legislative Council's standing orders. Therefore the information you provide during this hearing is protected by law. However, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament. All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

We welcome your opening comments but ask that they be kept to a maximum of 5 to 10 minutes to ensure we have plenty of time for discussion. Can I please remind members and witnesses to mute to their microphones when not speaking to minimise any interference. If you have any technical difficulties at any stage, please disconnect and contact committee staff using the contacts you have been provided. Could you please begin by giving your name for the benefit of our Hansard team and then starting your presentation. Over to you, Reid.

Mr MATHER: Thank you very much, Mr Chairman. Reid Mather—I am the current CEO of the Rail Freight Alliance. Do you wish me to start with some opening remarks?

The CHAIR: Excellent, Reid. Yes, I appreciate your being here on behalf of the Rail Freight Alliance. Yes, you can say your presentation now, and then we will have some questions and answers after that. That is the format we usually have our discussion in.

Mr MATHER: Thank you very much, Mr Chairman. So the Rail Freight Alliance, by way of introduction, is a group of rural, regional and metropolitan councils from right across Victoria, and our mission is to increase mode share from road to rail. And while we do not disagree with the eight points and we certainly think that the road toll is exceptionally important, the focus of our presentation today is the part that is 'not limited to'. We acknowledge that there is no silver bullet for the reduction of Victoria's road toll, but we believe nowhere in the terms of reference has it been identified that rail could be a lever to reduce the potential road toll.

Mr Chairman, I would just like to probably paint a bit of a background for Victoria if I could, please.

The CHAIR: Please go ahead.

Mr MATHER: So last year, being 2019, was Victoria's worst ever year for heavy vehicle road fatalities. It is worth noting that one in five vehicles on the toll roads in Victoria is a heavy vehicle. So 2050 is a pivotal time for Victoria. By 2050 the freight through the port of Melbourne is estimated to triple, and Melbourne will be the biggest city in Australia. And it is also worth noting that the high-productivity freight vehicle groups continue to expand. So the Rail Freight Alliance's view to reduce Victoria's road toll should be not to continue to expand the high-productivity freight vehicle routes where rail is an option. I am sure all members are aware, but roads such as our main roads in Victoria, being the Monash, the Hume, the Western, the Calder and the Princess freeways, all have a road alternative and are all gazetted as high-productivity freight vehicle routes. So given we outlined that the freight task from Victoria is set to triple within 30 years, access to ports is going to be vital. And I put it to the committee that that freight task cannot be met by road alone. Victoria needs a transport plan, and given Melbourne's rate of urbanisation, Victoria needs to identify, plan and procure future freight routes. The alliance believes that freight affects all Victorians. Simply put, you cannot disconnect a regional freight project and expect that it will not impact on Melbourne and/or put more freight onto the road network. It actually impacts the road network and road longevity and is detrimental to Victoria's global exports.

So as a case in point, given that we have got members from all over Victoria, I thought I would highlight the four points of Victoria and some of the issues that we have got in that space, Mr Chairman, one being the north-west region. When a freight task starts on road it very rarely comes off road, because Victoria is a very small state in that space. So it is really important that we set our policies towards supporting rail, especially on heavy bulk products. So case in point, the Murray Basin rail project that was due to be completed at the end of 2018 was to see 25 000 truck movements reduced off the road network. Currently, given that it is not completed—only stage 2 has been completed—we actually have more trucks on the road network in that catchment than ever before, and I put it to you that the freight cost from that region is more expensive than it ever was before that project started. So as a matter of urgency that project needs to be on and done. Taking more trucks off the road network will reduce the roll toll.

The north-east region, heading up alongside the Hume—what is absolutely critical in that space is that the Melbourne to Brisbane project does not stop at Beveridge insofar as the future interstate freight terminal needs to be identified, planned and procured, and it must have a link to a future port rail shuttle. If the project was to stop at Beveridge, that would likely see high productivity freight vehicles going through Melbourne's western suburbs—not good for public amenity, safety, and certainly not good for exports.

The Gippsland region—we have spoken about this a lot. We have certainly spoken about the Caulfield–Dandenong corridor needing four lines. Now we need to really include that Caulfield–Pakenham needs four lines. Currently there is one freight service coming out there five times a week, and that is removing 12 500 trucks off the road network. There is an enormous amount of freight to come out of the Gippsland region, and on our summations we expect that we could see five freight trains a day if there was a political will to achieve that. To do that you really need four lines in from Pakenham right through to Caulfield.

The south-west region has a very efficient albeit smaller freight task that comes in out of Warrnambool, notwithstanding it is quite important, but we would request an assessment to optimise passenger and freight scheduling on that line that would be beneficial to both passenger and freight.

Finally, what I would suggest is to enhance the assets we have. We already have rail in Victoria. We need to do things like increase train speed, we need to standardise outside Geelong, Bendigo and Ballarat, and we need in the interim to retain the mode shift incentive scheme. So there has been a quite a bit of commentary about the mode shift incentive scheme, which actually we think is really important, and a lot of commentary around the enhancements that have been done around the port of Melbourne or that will be done. The real issue about the mode shift incentive scheme is to try and incentivise people on the first mile to invest in rail, not necessarily the last mile.

I do not want to speak forever, Mr Chair; I just simply wanted to, I guess, precis the submission that we put forward that most members of the committee will have. Thank you.

The CHAIR: Yes, I appreciate your submission, Mr Mather. I really enjoyed reading it. As the son of a rail worker, I have always liked trains, and seeing more lines, the better. They are a significant public expenditure but obviously with a lot of significant economic return. I did have one question in relation to that. One of the recommendations from your submission was about investing more in moving freight onto rail as well as funding a mode shift incentive scheme. Can you give an indication or your opinion on how many trucks you believe it might take off the road? Or, more so, would it result in a reduction in the road toll in your opinion?

Mr MATHER: The line we draw between the two, Mr Chair, is that less trucks equal less fatalities. I guess given that we can point to 2019 and say we have never had more fatalities in the history of heavy vehicles than we had in 2019 and we have never had more trucks on the road network than in 2019, then I think it is a fair assumption to draw a line between the two. The mode shift incentive scheme is \$4 million per year. It is currently funded on an annual basis—that is, it is a budget decision made every year. To that end it is in the order of about \$90–\$100 per container or TEU, which is a 20-foot box. Each of the intermodal operators are given a quota per box for X amount of boxes. If they go over that quota, they do not get any more money. If they go under that quota, they are only paid for the amount of boxes that they shift. So it is a very transparent and it is a very fair scheme. I guess we would argue that \$4 million a year is not very much money when you consider that the public transport network is subsidised to \$100 million a week.

The CHAIR: Thank you. I might pass over to Mrs Bev McArthur to ask a question, and then I will go to Mr Quilty from there.

Mrs McARTHUR: Thank you, Chair, and thank you, Mr Mather. It is a wonderful segue—the amount of money that is being spent in the urban area to give us underground rail loops and all sorts of things to move people around and yet we have got, as you mentioned, the Murray Basin rail project that is now moving freight slower than Cobb and Co. It is completely shambolic. It is vitally important, I would have thought, that we get more trucks off the road and more produce onto rail. How do we take the product from its dispatch point, which could be a farm or it could be a timber work yard or a wheat silo particularly, to that point of entry onto the rail, because as you say, once it gets on a truck it is likely to stay on a truck? And secondly, do you think in the western area of this state we would be better with a hub that incorporated road, rail, air and sea products so that we would have an intermodal hub, maybe in the Geelong area somewhere, that went up the east coast?

Mr MATHER: Thank you very much for the question. The first question first: how do we encourage more freight onto rail? I think this is a lot about government policy. For example, we have an intermodal facility at Dooen, for example. It is quite profitable. It was supported by the state government to some degree. It is still supported by some of the local governments. For reasons that I cannot understand a high-productivity freight vehicle permit was let that went in direct competition with that rail. So governments absolutely have the ability to set policies for an even playing field towards the two. For road longevity, I guess, as I said before, we have got the asset; we should be utilising it as best we can, and that is simply tilted towards policy.

In regard to road, rail, air and sea, it is a really good point. There is a logic centre, for example, up near Wodonga—that is on the Hume Freeway. It is crossed by the Murray Valley Highway. It has got two standardised lines, and there is a network of trucks running into that facility to feed into a rail network. If you go down a little bit further towards Mangalore, there is an enormous possibility that you could do air freight and you could do rail and road freight out of that area. I guess the challenge always is that those sorts of facilities do not often present themselves at ports. But certainly a hub-and-spoke model to get the best value on short-haul and invest in the road network to those intermodal facilities is a good expenditure of public moneys.

Mrs McARTHUR: Chair, if I may, just to follow up, do you think the bias of spending vast amounts of money in the urban area is actually adding to the road toll, if that is what we are inquiring about at the moment, because we are not spending the amount of money required to have a better rail freight network let alone fix up rural roads that bring the produce to the rail freight hub?

Mr MATHER: I do concede the point, but I think, as I said in my opening remarks, by 2050 Melbourne will be the biggest city in Australia and it is not unreasonable that it should have a good public transport system. I think the challenge has been we have invested for roads for so long to the detriment of rail that rail really needs to catch up. So I do not see it as one or the other; I think they are both worthy investments.

The CHAIR: Thank you. I might actually move on to our next question. Bev, do you have one more question or is that all for the moment?

Mrs McARTHUR: That is all for the moment, thank you, Chair.

The CHAIR: Thank you. Mr Quilty, do you have a question?

Mr QUILTY: Look, everybody loves rail and it always seems like the obvious solution to get trucks off the road, but every time you have an interchange of cargo you are driving up the transport costs. Trucks are always much cheaper than trains except for bulk loads, so it feels like while we love the rail, it seems like this is not ever going to be cost effective. Do you have a comment?

Mr MATHER: Certainly. The easiest low-hanging fruit for rail is long-haul bulk commodities. What has been proven around the world is that the more we invest in rail, we can get more specific and different types of produce onshore to hauls, the better we invest, and a good example of that would probably be SCT, that has invested at Wodonga. Instead of doing long haul they are just palletising different products, breaking it down into distribution centres, and it can be in Sydney or Brisbane within a day. So, yes, it is possible. I think the challenge is that successive governments have not really bitten the bullet on it, and I guess that is evidenced by the amount of government departments. While it is good to see that we now have Freight Victoria and Rail

Projects Victoria, there was not a lot of intellectual property in rail in state departments. So I guess it is more about an investment and the political will to do so.

Mr QUILTY: Okay. Do you think we should be investing more in bulk handling at ports outside of Melbourne, like Portland, for example?

Mr MATHER: Portland is a great example of a really good natural deep sea port. Currently there is about a million tonnes of grain that goes out of the port of Melbourne, and on occasion they go around to Portland and top up because they cannot load to capacity. As we move towards a second port, Melbourne will be the biggest container port in Australia and a logical outcome will be that it will simply not have room—this is my view, not necessarily the alliance's view—to store bulk freight at port, whereas Portland does have that capacity. So I would say that Melbourne will become probably a more specialised port, notwithstanding that by 2050 the government of the day is really going to have to be looking towards a second port. I would hope that a government in the next five to 10 years would be identifying some pathways to be able to get to that second port, because I do not think we need another sky rail. Once you try to retrofit to get into a port it becomes exceptionally expensive.

Mr QUILTY: Thank you.

The CHAIR: Thank you. I have got Mr Meddick, who has a question, so I will pass over to him.

Mr MEDDICK: Thank you, Chair. Thank you, Reid, for your submission. I have only got a couple of questions. A lot of debate over the years around rail freight has centred not just in Victoria but nationally on having standardised gauge and on trying to make sure there is little transference from one section to another so there is continuation.

How much of an impediment does that remain now? Because you could enlighten me; I am unaware of how far along that line we have actually come. And the other thing I would like to know is, if you have it there or some estimation: when you talk about running four lines out to Pakenham, for instance, what is the difference in cost between, say, running four lines out to Pakenham as opposed to either upgrading or building a new freeway of a comparative nature? Because that is what everyone is going to be really looking at from a public perspective. If we are driving four new lines of rail out there instead of four new lines of a new highway, what is the comparative costing?

Mr MATHER: Understood. I will try to tackle both questions. Our position is anything outside Geelong to Melbourne, Bendigo to Melbourne or Ballarat to Melbourne should be standard gauge. Standard gauge allows you access to the interstate freight network as well, which is vitally important. The limit that we have—and I guess I can point to the Murray Basin rail project—is that while you have got it half done, no company is going to invest in the broad-gauge rolling stock, so you become more and more uncompetitive. So in consequence it is more expensive to operate because there is not much of it, and it is in pretty poor condition because nobody really wants to operate it at all. So those people within that market are pretty well captured. So I would argue that anything outside that network, because it has been such a huge expense in the passenger network on those broad-gauge lines, should remain at that point.

Your second point in regard to getting access from the Gippsland region is a real dilemma. I guess we know that there is going to be more work done on the Monash Freeway. The Monash, I would say, is probably the most congested freeway that we have got trying to access Melbourne. We have got freight tasks increasing from Gippsland. Short of in the future trying to double-stack cars to get in, I think we have got a real dilemma about access and capacity. So you can say you can access it all day long, but can you actually get that capacity where you can meet a ship that is going at the right time? Because ships will pay the moorage fees if they are late, and that is simply just passed back. So, simply put, I think with the freight task that is predicted to grow—and Gippsland will need access to the port of Melbourne—road just cannot do it. So I do not think it is an either/or; I think it is a must-have. And I guess just one more point on that: the cost of trucks and the toll network. It is very expensive to toll a truck through the city, which is another cost and inefficiency that is put back against the system. But again, if I go back to the very point that we started with, about the road toll, less trucks on the roads equals less fatalities.

The CHAIR: Thank you for that. I might ask Mr Finn if he has a question. Deputy Chair?

Mr FINN: Thank you, Mr Chairman. Coming from the western suburbs I know a fair bit about trucks, and coming from the north-west of Melbourne, we particularly know a lot about trucks at the moment, but unfortunately I do not think that rail freight will help with the carrying of PFAS material and the dumping of it in my constituents' backyards. However, this is an ambitious plan and an ambitious hope that you have put forward. The question that I have is: if we were to go down this path, where would we start? It is all very well for me or anybody else to say that this is where we want to end, but where the hell would we start? I mean, this is a very, very big plan, and I am just keen to know, for example, if we were drawing up the budgets—we must have one of them one of these years—then exactly where we would start and how much it would cost.

Mr MATHER: Okay. Well, I will probably throw one straight back. How about you finish what you started? The Murray Basin rail project is not yet finished, and that region is significantly worse for not finishing that project. That project was meant to have been finished by the end of 2018 to standardise nearly half of the area of Victoria's catchment. It has not done it, and as a consequence everyone in that catchment is the poorer for it.

Mrs McARTHUR: Hear, hear!

Mr FINN: I was up that way late last year and they told me in no uncertain terms exactly what they thought of us for that.

Mr MATHER: Yes, look, that project in particular has been very, very disappointing. That is one. Two, when you come down the north-east line, if the Melbourne to Brisbane project was to stop out of Beveridge and the federal government said, 'There you go; I've finished it', that would be a complete disaster for Melbourne. Currently—I have not looked at the website recently, but up until two months ago—the Victorian part of that project was essentially from Albury into Tottenham. Now, nobody, including the Rail Freight Alliance, thinks that Tottenham is where that should finish. You simply cannot break a train down that is 1.8-kilometres long—that is its first run, it is estimated to be—double stacked, break it down and turn it around in Tottenham. There just simply is not the room. It just will not work. So I think they are negotiating that out. But if it is going to be that it finishes at Beveridge, that would be a disaster. So I think many of these things you break down into pieces.

I think the other thing to remember is that in some sections of line you do need to have a freight-only path. I am not suggesting that is everywhere, but in some sections, coming into Melbourne, for example, you do need a freight-only path. The reason that we say that is that passenger has priority and that is the way that it is, and many would argue that it should be, but freight trains, often going a lot slower because they are carrying more weight, can disrupt the passenger network anyway, and two, it is an impediment to both services. So piece by piece, I would recommend.

The CHAIR: I think we are now at Mr Barton. Mr Barton, do you have a question?

Mr BARTON: Indeed I do, Chair. G'day, Reid. I wonder if you could just enlighten me—I think most of the committee members would be aware, but maybe not the people who are listening—about the issue about stopping at Beveridge and the importance and explain about the double stack and trying to get all the way into the port, why it is so important that we go all the way in?

Mr MATHER: Correct. Well, unless the Melbourne to Brisbane project is a port-to-port solution, essentially you will be sold a pup. So they are still sorting out how they are going to do it into Brisbane, and that is an even bigger engineering task than it is in Victoria. But essentially, to get it into the port of Melbourne is probably a challenge just about impossible, because they are double stacked. You cannot dig out underneath the bridges far enough, you cannot raise the bridges high enough. Our recommendation is you go through the outer metro road, the area that is gazetted out there, take it out to Truganina, make sure that you have got a link into the port rail shuttle, and make sure that you have got sufficient zones around that so that you can operate that 24/7. I guess that is why we are suggesting that it would be really, really important that you identify that pathway. I understand that there is a study going on at the moment—I have not seen it, but I do know that it has commenced—and that is to be able to sweat that asset. You do not simply spend \$10 million and stop it at Truganina and then truck it in on B-doubles. It is not a solution to the biggest city in Australia.

Mr BARTON: And the port of Melbourne is currently the busiest container port—is that right?

Mr MATHER: Yes, it is.

Mr BARTON: Thank you, Chair.

The CHAIR: Thank you very much, Reid, for your presentation and your submission to the committee, and to the Rail Freight Alliance for putting time and effort into this inquiry. I think that concludes our hearing for today. It has been a pleasure to have you at our hearing today.

Mr MATHER: Thank you very much for the opportunity, Mr Chair. We really appreciate the opportunity. Again, if anybody would like to reach out and catch up with us, with probably a virtual cup of coffee, perhaps, we could just have a chat about all things rail. I am always happy to engage with anyone.

The CHAIR: I wanted to say: if we have got any questions, are you happy for us to send them by email, if there are any additional questions that come to mind a bit later?

Mr MATHER: Absolutely, no problem.

The CHAIR: Otherwise, I agree we should all feel very free. I might maybe take up your offer at some stage to discuss some of the issues, the broader issues, not just these terms of reference.

Mr MATHER: I thank you all for the opportunity, and I wish you well in your deliberations.

The CHAIR: Thank you.

Committee adjourned.