

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2018–19

Melbourne — 29 May 2018

Members

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Ms Harriet Shing

Mr Steve Dimopoulos

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Ms Vicki Ward

Ms Fiona Patten

Witnesses

Mr Luke Donnellan, Minister for Ports,

Mr Richard Bolt, Secretary,

Dr Gillian Miles, Head, Transport for Victoria, and

Mr Michael Hopkins, Deputy Head, Policy and Reform, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2018–19 budget estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Ports, the Honourable Luke Donnellan, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Dr Gillian Miles, Head of Transport for Victoria; and Mr Michael Hopkins, Deputy Head, Policy and Reform.

Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr DONNELLAN — Before we begin I would like to acknowledge the original owners of the land upon which we gather and pay my respects to their elders, past and present.

I want to use the opportunity today to update the committee on our investment in Victoria's freight infrastructure — the roads, bridges, rail lines, intermodal terminals and seaports that make up the most advantaged logistical network of any state in Australia.

We are the freight and logistics capital of the country, we are the home of the nation's busiest port, we have more square metres dedicated to warehousing than any other city and more semitrailers are registered in Victoria than any other state. We are the freight and logistics capital because we are the engine room of Australian manufacturing and the nation's largest exporter of agricultural commodities.

The port of Melbourne continues to go from strength to strength. Despite some recent reports and commentary, the port of Melbourne continues to handle more container trade than the port of Botany. To the end of February 2018 in this financial year, the port had handled approximately 10 per cent more containers than Botany as well as handling more export trade.

Pleasingly I advise that full container trade through Melbourne for the 10 months of this financial year has increased by 8.4 per cent compared to the same time last year, and that is a substantial improvement, because if you look at the pre-GFC growth rates — they were on average about 4.5 per cent — that is a very, very strong growth rate. Other interesting statistics include: non-containerised trade has increased by 11 per cent compared to the same time last year, with break-bulk increasing by 28.8 per cent and dry-bulk trade increasing by 12.2 per cent.

The Victorian government has made considerable investment in the state's freight network because we recognise the vitally important role that transport plays in this state. For example, we are in the process of upgrading and standardising the rail lines servicing the commodity-producing areas of the north-west of the state. We sold the lease of the port of Melbourne to put it on a more competitive footing, we have strengthened bridges on key arterials to ensure we can boost the payload of road freight combinations and we have committed to two of the most important road projects in this state's history — the north-east link and the West Gate tunnel.

The West Gate tunnel project links to Swanson Dock. That will deliver the greatest benefit to the freight industry by creating motorway-quality access right to the port gate. Importantly the tolling mechanism will encourage trucks to use the tunnel in the form of discounted shuttle rates, caps on maximum daily tolls for trucks making multiple trips to the tunnel and night-time discounts. These incentives will lead to less trucks on local roads and near the port. I note that the Victorian Transport Association supports this tolling mechanism.

We are making big inroads into standardising the regional rail network, which will improve access to the port. In February the Murray Basin rail project achieved a key milestone with the first ever standard gauge train running from Mildura to the port of Melbourne via Ararat. On completion of the project the Murray Basin rail project will deliver a huge boost to farmers and exporters by standardising the main grain lines, allowing greater competition between rail operators and boosting axle loadings from 19 to 21 tonnes, and importantly it will remove an impediment to the port of Portland by linking it to grain production in the Murray Basin.

We have also been out seeking expressions of interest in the concept of the port rail shuttle that will see rail take up some of the heavy lifting when it comes to moving containers to and from the port. We have had strong interest from a number of rail operators keen on developing a concept that will see containers move from the port of Melbourne to a network of terminals in the outer metropolitan area; \$58 million has been set aside for this purpose and we are progressing well through the procurement process.

We are also very close to releasing our freight strategy, designed to further boost our competitiveness. The budget contains \$7.6 million to kickstart this work. The funding includes \$2.24 million to proceed with a full business case for the crucial western interstate freight terminal, which will in future include an interstate freight terminal, a warehousing precinct to Truganina and a rail link to the interstate rail freight network. This project will deliver a big boost to productivity to the port of Melbourne by getting interstate rail freight away from Dynon Road as well as providing significant opportunities for industry in this part of Melbourne. Nine-hundred thousand will fund planning for a future integrated logistics hub at the Melbourne Market at the Dynon Road site. This project will be crucial to the movement of goods into the port in the future.

Five-hundred thousand will fund a review of the training and licensing of truck drivers in the state. Industry has called for better standards to ensure that the job of truck driver is an attractive occupation, and this funding seeks to do that. The government is also providing certainty to the freight industry — a one-year extension to the mode shift incentive scheme, with funding running out at the end of June. This additional funding will give industries some certainty, allowing them to plan. I look forward to releasing the freight plan very soon.

That pretty much sums up our freights and ports commitment in this year's budget.

The CHAIR — Fantastic, Minister. The budget paper reference is budget paper 4, page 13. Are you able to advise the committee of how the West Gate tunnel project will improve connectivity to the port of Melbourne?

Mr DONNELLAN — Yes, happily. Obviously, this is very much about a six-lane tunnel coming off the West Gate Freeway and heading through Yarraville and so forth straight into the port. This is a new six-lane tunnel. It takes thousands of trucks off residential streets in the inner west and very much slackens congestion on the M1 corridor. From Pakenham to Geelong, it will create thousands of Victorian jobs. It is estimated that it will provide 40 per cent extra capacity across the river. We know that the West Gate Bridge is very much at capacity and really cannot accommodate more vehicle movements on it, so that is very much providing a redundancy.

We have also increased the capacity of the West Gate Freeway by 50 per cent from the M80–M1 interchange as well and made improvements to high-productivity freight vehicles accessing the heavy vehicle route from Webb Dock and Swanson Dock all the way from the M80 via the West Gate tunnel. In other words, it is very much about encouraging high-productivity freight vehicles and the like to actually use the West Gate Freeway,

use the tunnel and get a direct link into the port to avoid 17 sets of traffic lights. If you were looking at coming up from the west of the city and you were heading through the local streets — 17 sets of traffic lights you would avoid and 13 minutes faster to actually get there.

There will also be upgrades to interchanges to better accommodate freight vehicles getting to and from the West Gate Freeway. Peter Anderson, the CEO of the Victorian Transport Association, said:

We have talked for a long, long time about improving access to the Port of Melbourne via an alternative river crossing, and with contracts now signed for the West Gate tunnel project's construction we are encouraged that this long overdue piece of infrastructure can finally be built ...

In other words, the freight industry is very excited, because at the end of the day they understand that they need to do their business but work within, I guess, a public realm. The last thing they want to be doing is continually going through streets — smaller order arterials, which are not particularly appropriate for high-productivity freight vehicles. They very much looked at this as a great benefit to them, which will get them directly into the port without having to go through those traffic lights and those inner-city streets. Overall I think it is an incredibly positive project for the freight industry, as I was saying. I know that the benefits to the local community will be trucks off the local streets and their local streets back to them.

The CHAIR — In your presentation, you referred to the port rail shuttle, and there is also obviously a reference on budget paper 4, page 28. Are you able to update the committee on the status of this project?

Mr DONNELLAN — Happily. The port rail shuttle is live at the moment in terms of negotiations, so \$58 million has been allocated through the state and federal governments. The focus will be on upgrading rail connections and improved terminal access on public land to help private industry to establish port rail shuttles. The expressions-of-interest process closed on 31 October 2017, and following a clarification process a request for proposals was issued by Transport for Victoria to short-listed parties on 28 March 2018. Firm commercial offers are due for the invitees on 31 May 2018. In other words, that is a live process presently. I am a little bit cautious about commenting on it too much, but it is proceeding well, and I believe we will end up with an outcome which will allow the development of inland ports and shuttling between them and the Port of Melbourne.

The CHAIR — Now, Minister, the budget paper reference is budget paper 3, page 22. Can you just advise the committee in relation to the mode shift incentive scheme — how that scheme operates in terms of getting the movement of goods in and out of the port?

Mr DONNELLAN — The budget allocates another, I think from memory, \$4 million for this scheme. It is for another year. Obviously it is getting goods onto rail as opposed to onto trucks. We believe that we probably only need to finance it for another year because with the work that we are doing elsewhere with the Victorian freight plan and the Murray Basin and the like and the port rail shuttle there are enough other opportunities to get goods onto rail through other infrastructure we are actually developing. We believe that we would probably only need about another year's worth of the mode shift incentive scheme to be actually funded at this stage because of other activities we are undertaking, which as I mentioned is the port rail shuttle, the Murray Basin project and the development of course of the on-dock rail at the port of Melbourne, which is a requirement of the leasehold sale of the port of Melbourne — that within the first five years they have to have a rail into the docks proposal put forward.

The CHAIR — The budget paper reference is budget paper 3, page 22. Just in relation to the transport freight plan initiative. Can you outline to the committee how this initiative is tracking in relation to encouraging jobseekers to consider a career in driving heavy vehicles?

Mr DONNELLAN — There has been I think it is 500 000 from memory allocated to look at driver training. In other words, in 2013 there was a nationwide commitment to improve driver training which all the states signed up to; that was the national heavy driver competency framework. That has obviously been going on for some time. It has been recognised by government and the industry that the current requirement may not be appropriate and needs to be looked at. So there is a review of driver training to look at how we can bolster safety, how we can bolster it as an occupation in the future for people to consider that as a job so we can have better standards, better drivers and a more safe environment for people to be drivers in so that we can get more young people into looking at driving. The greatest issue in the industry at the moment is there are simply too many older drivers and not enough young drivers coming into the industry to replace them. It is something that

the VTA and others have been asking for and subsequently that is why we have allocated 500 000 to review training and licensing to make it stronger and more rigorous and ensure we get better outcomes and more people entering the industry.

The CHAIR — Minister, you might need to take this question on notice but the budget paper reference is budget paper 3, page 11. Table 1.9 refers to better recreational facilities for Victorian waterways. Can you advise the committee, and I am happy for this information to be provided on notice, just in relation to some of the projects you are looking at in terms of improving waterway infrastructure, what sort of projects will be funded and how the funding stream or work? I appreciate we do not have enough time now, but if you could provide that information to the committee, that would be fantastic.

Mr DONNELLAN — Thank you, will do.

Mr D. O'BRIEN — Minister, continuing on the port rail shuttle, the budget shows on page 28 an outlay of 33 million out of a TEI of 58 million that has been sitting there for four years now. The PRS is a project of vital importance for the Victorian economy. You have just outlined the process now we are still at requests for proposals et cetera. Why has it taken three and a half years to get this started?

Mr DONNELLAN — Obviously in the middle of that whole process we had the leasehold sale of the port of Melbourne which we needed to undertake, so we needed to get that done. With the leasehold sale of the port of Melbourne we have been able to fund our level crossings programs, and we went to the election with that commitment. That process took some time to ensure we actually got the best price we possibly could — \$9.7 billion. It was an extensive process so it would have been very difficult in the middle of that to actually run a port rail shuttle expressions of interest, when the owner was going from the government to a private owner and the like. That was very much because in the middle of that exercise we needed to get port of Melbourne leasehold off and running, and we did so.

Mr D. O'BRIEN — The federal government money has been sitting there for some time too. Was there pressure from the commonwealth to get moving on this or they would withdraw their funding?

Mr DONNELLAN — Not from memory. Obviously the federal government would have been aware we were selling the leasehold of the port. There was no personal request for me to hurry up on that. There might have been in the background but it was never personally indicated to me that we needed to get our bum into gear, that it was taking too long or anything like that. Because I think they knew we had the leasehold sale of the port up and running and we were keen to use that to fund infrastructure.

Mr D. O'BRIEN — Minister, wouldn't the port rail shuttle have added value to the port of Melbourne lease?

Mr DONNELLAN — People would have taken that into account when they put up their price for the 50-year leasehold which was for sale. They would have been aware that that was there and available, so I would have thought any astute buyer would have taken that into consideration.

Mr D. O'BRIEN — You would be aware of reports that at least one of the major participants in the port rail shuttle project has withdrawn from the process. What are the implications of that for the project?

Mr DONNELLAN — I am reluctant to talk about the implications. It was my understanding a letter was written by that particular entity to the authorities managing it, and that was not directly to me I do not believe, saying that they were not happy and they were going to withdraw. I just have to very much take that on face value for the moment. I will look at that after, but for the moment it is a live process. As I have indicated, final bids are expected on 31 May — this month — so I am pretty reluctant to start making commentary on whether it was appropriate to withdraw or not appropriate —

Mr D. O'BRIEN — I am not asking about the appropriateness.

Mr DONNELLAN — No, no, I am just saying I am just cautious about—

Mr D. O'BRIEN — Given they were a significant player in this, what is plan B? If the port rail shuttle does not attract the attention or interest that is necessary, what is plan B to get the 3500 trucks off the roads every day?

Mr DONNELLAN — My understanding is that there are enough other major entities bidding in the process. There are other players who are capable of providing infrastructure and services, rail and the like, who are bidding as well, so I very much look forward to seeing what the final bids are and so forth. But our expectations are that they will meet the requirements of having a port rail shuttle.

Mr T. SMITH — Minister, why on your watch has Port Botany overtaken the port of Melbourne as the most used port in Australia in terms of TEUs?

Mr DONNELLAN — That is not correct. The most recent figures: the port of Melbourne handled 2.7 million TEUs last year, and Port Botany handled 2.4 million TEUs last year. To the end of February 2018, the port of Melbourne handled around 10 per cent more containers than Port Botany. Further, Melbourne handles more export trade than Sydney, reflecting the efficient gateway we have, but Sydney also handles a higher proportion of fresh air — empty containers — than we do. That figure that was provided — I do not know, in the public realm by somebody, I am not sure who provided it — disregarded all of the Tasmanian trade that is handled by the port of Melbourne.

Mr T. SMITH — So, Minister, last year Port Botany processed 2.5 million TEUs, compared to 2.4 million for Melbourne. That shows that Port Botany at that stage of last year had eclipsed Melbourne. That is not correct?

Mr DONNELLAN — No. As I was saying, someone has forgotten to include the Tasmanian trade, which is all handled by Melbourne.

Mr T. SMITH — You are saying that the figures are recognising Tasmanian trade differently to our international trade?

Mr DONNELLAN — Are excluding the Tasmanian trade in the figures, because we handle all those TEUs for export around Australia, export overseas and actually export within Victoria as well. So that is where that figure was incorrect, as I was saying.

Mr T. SMITH — Thanks for clarifying that. In terms of your freight strategy, where is that up to, and will it simply recommend the creation of yet another authority?

Mr DONNELLAN — In terms of the freight strategy, we have not released it, but we will be releasing it very, very soon. In terms of what is proposed in there, well, you will just have to wait. We are still finalising that but that is over the coming weeks, or maybe a month or so, that we will release the freight strategy. But it will very much provide a forward-looking document — short, medium and long-term infrastructure options for the industry that the industry is seeking. I think there were 20 members from the industry who put together, as I was saying, short, medium and long-term infrastructure needs, including things like training and the like.

Look, it is a good document and it provides us with a pathway forward in terms of how we can actually get a better focus on the freight industry, because to be blunt in many ways I think in transport a lot of the time we get lost on public transport, cars and moving people privately in cars, but we forget that the freight network has a major impact on our roads and rail and that we need to get a better focus on that.

Mr T. SMITH — So would we envisage a Victorian freight authority?

Mr DONNELLAN — Well, that could be an option. We have not released it yet. That will be pretty soon.

Mr D. O'BRIEN — How soon, Minister?

Mr DONNELLAN — Soon. All good things come to those who wait.

Mr D. O'BRIEN — Assuming it is going to be a good thing, Minister.

Mr DONNELLAN — Well, it is a good thing. I promise you when it comes out, it will be good one.

Mr T. SMITH — So would that just indicate that that is up to number 40, I think, in terms of new authorities that your government has announced in the last three and half years? It is sort of quangos and more red tape, perhaps?

The CHAIR — I am not quite sure how this relates to the budget estimates, Mr Smith.

Mr DONNELLAN — No, no, no. Look, that is based on the presumption that you are correct. We have not released that policy yet, and when we do I am very much happy to send you a copy and you can tally up what authorities you like and what authorities are not there.

Mr T. SMITH — I will be delighted to do that, Minister.

Mr DONNELLAN — Pleasure. I will even sign the copy. There you go — a signed copy.

Ms PENNICUIK — Thank you, Chair, Minister, secretary and everybody else. Mr O'Brien, actually I was reading through the transcript from last year regarding the freight plan that was due before now.

That is what you told me at the hearing last year. So it is not really soon.

Mr DONNELLAN — No, it is late.

Ms PENNICUIK — I know there has been a bit of discussion about the port rail shuttle and I always like to talk to you about that issue, but it is an important issue in terms of getting freight onto rail. We have already talked a little bit about Salta pulling out. That was on 13 May, if I am correct, that they advised of that. They have been involved for a large number of years in planning for the port rail shuttle, so given that this closes on 31 May, I am just wondering how anybody else just entering the field would be able to come up with the same level of planning that has been done by Salta in that short time, and what is your contingency plan if no-one does?

Mr DONNELLAN — Most of that is commercial in confidence, but I can assure you that there are enough major players that I know of, just off the top of my head, who have the capacity to —

Ms PENNICUIK — To put it together in two weeks?

Mr DONNELLAN — No, no, no. This has been going on for a lot longer than that. You are saying —

Ms PENNICUIK — It has been going on since 2009.

Mr DONNELLAN — Okay. Let us just look at the process that has been going on. It is not a short process. It has been out to market a lot earlier to seek expressions of interest. So we have got one group that has pulled out, but there are many other groups that have a capacity to provide rail, inland ports and the like, who I believe — and I have not looked over each tender and so forth, because it is totally inappropriate for me to actually be involved in that process, but there are enough other major players in the marketplace, that I know of, off the top of my head, who would be able to provide such port rail shuttle options.

Ms PENNICUIK — I can see you are not going to say any more than that, Minister.

Mr DONNELLAN — I cannot because it is a live process. I am not trying to be difficult, but I can think of —

Ms PENNICUIK — Certainly. Sure. Last year when we discussed this item we had a bit of to-and-fro regarding the five years and the eight years, so I am still wondering whether that is the timetable.

Mr DONNELLAN — It is five years for the port of Melbourne in terms of a rail to dock, yes.

Ms PENNICUIK — And are you still envisaging that it would involve the three intermodal terminals?

Mr DONNELLAN — Potentially, yes, it could. I cannot guarantee that obviously. That is obviously for private negotiations between commercial interests, but that would be the type of thing that you would hope would come out of that.

Ms PENNICUIK — Well, isn't it more than that? Isn't it about a plan for freight and a plan for getting freight off the roads onto rail, which would be a government plan, not necessarily a commercial plan?

Mr DONNELLAN — Yes. And industry is very supportive of it, so I think we will find a good port rail shuttle option out of this exercise.

Ms PENNICUIK — And what is the interplay between this and the incentive scheme?

Mr DONNELLAN — What do you mean?

Ms PENNICUIK — I suppose I mean, in terms of looking forward to building that, you are saying the scheme is going to stop in a year.

Mr DONNELLAN — The mode shift incentive scheme?

Ms PENNICUIK — Yes.

Mr DONNELLAN — The mode shift incentive scheme was specifically set out to get more goods onto rail — bulk goods to the port of Melbourne and the like. Because we actually believe that we have provided other opportunities like Murray Basin and so forth now — so we are developing that and getting the work done on that — there are other opportunities which do not require us, because we are putting in so much infrastructure, to actually fund the mode shift incentive schemes so there is enough incentive for people to use the Murray Basin rail project to actually get goods to the port. As we have seen, we have got that trial run from Mildura to Ararat to the port of Melbourne, and I think that was grain from memory, just from the top of my head. That is the first trial, but that obviously is going to provide people with incentives to look at that as an option.

Ms PENNICUIK — Thanks, Minister. I am just wondering, is the government engaging with the Brisbane to Melbourne inland rail project, and has the government made a submission to the Australian Rail Track Corporation with regard to that project?

The CHAIR — Order! Maybe take that on notice.

Ms PENNICUIK — Take that on notice, please.

The CHAIR — I would like to thank the witnesses for their attendance: the Minister for Ports, the Honourable Luke Donnellan, MP; Mr Bolt; Dr Miles; and Mr Hopkins. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 10 business days of that request.

Committee adjourned.