

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2022-23 Budget estimates

Melbourne—Friday, 27 May 2022

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

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

Mr Paul Younis, Secretary, and

Mr Praveen Reddy, Executive Director, Freight Victoria, Department of Transport.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

We begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 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 this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We welcome Minister Horne, in the first instance for the ports portfolio. We invite you to make a 5-minute opening statement, and this will be followed by questions from the committee. Thank you.

Ms HORNE: Thank you very much, Chair.

Visual presentation.

Ms HORNE: This is a really significant budget for the freight industry. It contains a massive investment in freight rail that brings Victoria closer to delivering a gold-class rail freight network tailored to the fast and efficient movements of exports to the ports.

There was a \$181 million investment in the freight rail network in this year's Victorian budget. That is enormously significant because it builds on the \$83 million investment that we delivered as part of our COVID-19 stimulus package. \$181 million means heavier and faster trains, it means boosting the capacity of the track so that we can increase the volume and mass of freight carried per train and it means lifting the speed at which those trains can travel. So you can expect to see us investing heavily in new track, in new sleepers and new ballast on lines in the north and north-west of the state, particularly those that handle grain and will benefit most from the higher axle loads that the upgrades will bring.

As you can see on this slide, two years ago the Victorian government announced an \$83 million freight improvement package focused on replacing sleepers, repairing ballast and renewing level crossing equipment across almost 400 kilometres of critical freight-only rail lines. That investment reduced the numbers of temporary speed restrictions to their lowest level since the database commenced in 2005, and as a result our tracks are in the best condition they have been in a generation. This budget's investment in the network will build on that work, shifting our focus from maintenance to capital upgrades so that we can get more of the network to 21-tonne axle loads and run trains at higher speeds.

As I said, faster, heavier trains will see more freight on rail, and we want our ports ready to be able to meet that challenge. That is why this year's budget funds an extension of the mode shift incentive scheme, which provides those inducements to move more than 42 000 export containers from regional Victoria by rail. This very successful scheme is now in its 13th year and removes 28 000 truck trips off country roads every year as well as reducing truck congestion around the port of Melbourne.

The third piece in Victoria's successful rail freight story is the port rail shuttle network, and again the focus is on the better connections to the port. Last week I was delighted to welcome the start of works down at SCT in Altona, and out at Dandenong I look forward to the completion of the new port rail shuttle network siding that is being delivered as part of the Cranbourne line upgrade project. I am confident that with the delivery of these projects the competitive advantage that rail brings will be much more evident and will see rail's enormous capacity unlocked.

Chair, the creation of Ports Victoria in July 2021 was a key finding from the *Independent Review of the Victorian Ports System*. The Victorian budget this year is delivering \$3.5 million to support Ports Victoria and to continue to grow our economy and create jobs in this vital sector. This funding is ensuring Ports Victoria can operate efficiently and meet its obligations for reform, governance, maritime operations management and strategic planning, and we will expand on this work further by developing a Victorian commercial port strategy, which will further define the government's stewardship role and articulate the key steps we will be making to secure the future of Victoria's ports.

In this year's budget we will also be making a number of investments in piers and jetties across the state, because along Victoria's coastline a critical \$18.9 million package of works will be a boon for local communities and businesses that rely on these piers and jetties. Rebuilding and safety works will be undertaken at Hampton, Rye, Flinders, McLoughlins Beach, Raymond Island, Lakes Entrance, Williamstown and Mornington, and they will drive tourism at coastal hotspots, supporting recreational boating and fishing and water sports.

Chair, whether you are a dairy farmer in south-west Victoria or harvesting stone fruit in the north, our rail freight investments mean more dollars back into the pockets of farmers, local producers and regional communities. We are boosting rail freight network capacity and reliability to keep Victorian producers competitive both nationally and on a global scale, and that work will deliver and support thousands of jobs across the state.

The CHAIR: Thank you, Minister. Mr Newbury.

Mr NEWBURY: Thank you. Minister, can I take you to the 'Mode shift incentive scheme' on page 109 of BP3. In 2013–14, 42 740 containers were moved via the scheme, yet in the last financial year it was only 37 235. Why was there a 13 per cent reduction in that number?

Ms HORNE: This is a really important scheme, as I outlined—and thank you very much for your question—because it is a scheme that we have supported for 13 years consecutively. As I said, it is really important to provide that inducement to shift containers onto rail. Obviously these changes fluctuate from year to year depending on what is grown and what the export capacity is, but on top of that we have had a significant part of our Big Build going on, which has seen some lines close down from time to time as we have gone in and done that re-sleepering and put in new ballast and those sorts of things, which has required, some of the time, for that freight to go onto road.

Mr NEWBURY: As I was talking about, in 2013 the funding was \$5 million, so if you work that out by container, that is \$117 per container. In 2020–21 it was \$4 million, so \$94 a container, and in 2022–23 it was \$3.5 million as I see it, which I think works out at \$82 per container for the 42 508 containers. Is the reason for the reduction, the 13 per cent reduction, because there is not an incentive to make the rail freight option viable and operators are just not taking it up?

Ms HORNE: No, not at all. I think you need to approach this really through the multilayered approach that the Victorian government is taking. It is providing that direct incentive, which helps to support about 170 jobs. That is one piece of the jigsaw, but there is also the infrastructure investment that is going on. Now, this is things like the port rail shuttle network that we are working with industry on, and we have provided that seed funding to be able to get that up and running. As I mentioned, out at Altona we have actually now got that work underway. And we are building into the lease of the port of Melbourne the requirement to deliver an on-dock rail solution. So we are at this really exciting period of time where next year there will be that on-dock rail solution delivered down at the port of Melbourne, down on Swanson Dock, there will be the port rail shuttle out at Altona that will connect directly to the port and also there is the work that is happening down in Cranbourne, as the Member for Cranbourne knows so well, that will provide that connectivity. So there is that work

happening at the same time there is the mode shift incentive scheme that is supporting four of those key operators.

Mr NEWBURY: Thank you. Noting everything we have talked about, the government only makes single-year commitments to that scheme, and it does not do anything for grant recipients. Why doesn't it do anything for grant recipients who need long-term certainty to plan for loads and schedules accordingly?

Ms HORNE: I would argue that the infrastructure build that we have got is providing that long-term benefit, because there is no point in just providing a mode shift incentive if you are not then coming in and doing the infrastructure build, which is what we are doing. If you take, say, for example, out in Bairnsdale, the important work that has gone on out there to support a business, Fenning Timbers, to shift and actually deliver an intermodal freight terminal out there—the amount of work that has gone there—now, they are not recipients of the mode shift incentive scheme, but what they have done is receive about \$800 000 of funding from the Victorian government to basically transition their business from a timber business into an intermodal freight hub. A year ago it was just a paddock next to a rail line that had not been used since 2009. Now they have got hardstand down there. They have invested in machinery. They have got customers lined up to be able to start not only exporting out through the port of Melbourne but also to bring product back into Bairnsdale. It is creating jobs for the region, and it is a fabulous thing to see.

Mr NEWBURY: Thank you. Noting your comments on effectively freight strategy and infrastructure, can I note that the port rail shuttle is well overdue, the on-dock rail is late and container volumes in the port of Melbourne via rail continue to go down. Funding for that scheme keeps going down, and operators are walking away. Noting all of those issues, is it fair to say that the government's freight strategy is running off the rails?

Ms HORNE: Nice pun, but absolutely not. As I said, we have turned the first sod on the port rail shuttle out at Altona. We have got that on-dock rail solution that will be up and running by next year. One of the things, though, that I think, in terms of the port of Melbourne, is worthwhile putting on the record is that with international shipping lines at the moment no international ship is stopping at the port of Adelaide. Instead they are coming in through the port of Melbourne and we are railing that, and that is being rail-freighted back over into Adelaide. So I would argue that never before has the port of Melbourne done as massive a heavy-lifting job for not only the Victorian economy but also for what is critical for the South Australian economy as well.

Mr NEWBURY: Thank you. Noting that I am almost out of time, an issue for my region is jet skis and safety of people in the water and the swim lanes et cetera. I note that I am about to run out of time. If there are any comments you wanted to make—otherwise if you would not mind taking this on notice—I am seeking an update on what safety measures the government is putting in place to ensure that we have safety of the local community.

The CHAIR: Sorry, Mr Newbury. I would again remind you that this is an estimates inquiry and not an adjournment session of the chamber. If you can keep your questions relevant to the terms of reference of the inquiry, that would be appreciated.

Mr NEWBURY: It was totally relevant.

The CHAIR: If there is relevant—

Mr NEWBURY: Considering time ran out, I asked if it could be taken on notice. The minister is able to accept my request to take it on notice.

The CHAIR: Thank you, Mr Newbury.

Mr NEWBURY: Well, you can't just shut me down.

The CHAIR: Mr Newbury, your time has expired. To the extent that your—

Mr NEWBURY: And I left the question and gave the minister the opportunity to respond.

The CHAIR: Mr Newbury, please do not continue to speak over the top of the Chair.

Mr NEWBURY: Well, you can't use your position to talk over the top of me either.

The CHAIR: Mr Newbury.

Mr NEWBURY: Minister, would you mind taking that on notice?

The CHAIR: Mr Newbury. Please do not ignore the Chair.

Mr NEWBURY: I am not ignoring—I just think you are wrong.

The CHAIR: Mr Newbury. I am the Chair of this meeting, and I am asking that you keep your questions, and everyone keeps their questions, within the terms of reference.

Mr NEWBURY: It was entirely within the terms of reference.

The CHAIR: Mr Newbury, please do not speak over the top of me.

Mr NEWBURY: But you can't just simply overrule me because you do not like what I am saying.

The CHAIR: Mr Newbury, please—

Mr NEWBURY: I asked for the question to be taken on notice, which is entirely within my right.

The CHAIR: Mr Newbury, I heard your question, and—

Mr NEWBURY: And it is entirely within my right.

The CHAIR: Mr Newbury, to the extent that your question is relevant to the estimates inquiry, I am sure the minister and her officers will take it on notice.

Mr NEWBURY: Thank you.

The CHAIR: To the extent that it is a constituency or adjournment matter for you personally for your community—

Mr NEWBURY: I am talking about the entirety of the port.

The CHAIR: that, I suspect, after last weekend's results you suddenly care about, that matter is a matter that you should raise in the chamber.

Mr NEWBURY: You are embarrassing yourself.

The CHAIR: Mr Newbury, you—

Mr NEWBURY: You are embarrassing yourself.

The CHAIR: Mr Newbury.

Mr NEWBURY: No wonder you are being moved to the upper house.

The CHAIR: Mr Newbury, please do not speak over the top of me.

Mrs McARTHUR: Oh, thanks a lot! The upper house is a great place.

Mr NEWBURY: No, I am not having a go at the upper house.

Mrs McARTHUR: Yes, I know.

Mr NEWBURY: I am just saying no wonder Labor moved her.

Mrs McARTHUR: We need the best people in the upper house.

The CHAIR: Mr Newbury and Mrs McArthur, if you could control yourselves, please.

Mr NEWBURY: We are very controlled.

The CHAIR: Mr Newbury, you are out of order. The call is with—

Mr RICHARDSON: Do not knock the upper house, from Bev.

The CHAIR: Mr Newbury and Mr Richardson.

Mr NEWBURY: Well, that was Mr Richardson. I am sure he does not mind being mistaken for me.

Mrs McARTHUR: The upper house is a great place, isn't it, Mr Barton?

Mr BARTON: Absolutely, Mrs Mac.

The CHAIR: If I could call the committee to order, please. The call is with Ms Taylor.

Ms TAYLOR: Minister and officials, thank you for being here this afternoon. On the very important issue of rail freight, noting that our government is making unprecedented investments to support freight in this state, can I refer you to budget paper 3, page 115, which mentions a package of projects that includes major periodic maintenance works on freight rail corridors across the state. Would you please outline how the funding for works on freight rail corridors will increase the efficiency and cost-effectiveness of freight movements and reduce road congestion on local roads and in and around port precincts?

Ms HORNE: Thank you very much. It is a really exciting package, I have got to say, that was outlined in the budget papers and that I touched on briefly in my presentation, because this major investment that we are making in the Victorian rail freight network, I believe, is a massive game changer. We have this year \$181 million that is for rail freight maintenance, but that builds on the \$83 million that was allocated as part of the COVID-19 stimulus packages. Now, what this is doing is we have got rail freight lines that are in the best condition that they have been in a generation, because we know that rail freight actually contributes \$2.1 billion to the Victorian economy.

If you just look at grain, for example, 1 million tonnes of grain is valued at \$400 million, and that was carted in bulk on grain trains on the V/Line freight rail network. Now, 531 services were operated on 29 active grain terminals in the Wimmera, Mallee, Goulburn Valley and out of southern New South Wales. Each grain train carries about \$880 000 worth of grain, which is sensational, and a typical 650-metre grain train is equivalent to 50 loaded trucks. When the budget came out, I went up to Mitiamo in the northern part of the state to one of the big GrainCorp terminals up there and spoke to the CEO of GrainCorp, who was just so delighted that there was this investment, because what that means for the industry is that we will remove temporary speed restrictions so trains can run faster, and of course they need that efficiency to be able to get to the port; they can run heavier axle loads, which means they can move more grain—and this is so important; and then there are the freight paths available to get them into the port, because this is that economic enabler, I suppose.

On top of that, one of the things in the budget as well was an investment of \$6.1 million for planning for the proposed location of the western intermodal freight terminal. Now, this is really important. We have been doing a lot of work with industry to really understand, when inland rail is delivered, where they want to see that intermodal freight terminal that will connect the east coast of Australia to the freight lines that go out across South Australia and to Western Australia. I do not know if you have been out to the western suburbs of Melbourne recently, but almost every day there is a new freight and logistics warehouse springing up there. The amount of investment by industry out there is simply phenomenal, and to be able to create those intermodal freight terminals out there that will get trucks off local roads, particularly in and around the port, and that will boost the efficiency for the supply chain and also create jobs is so important.

Ms TAYLOR: Indeed. Now, I just want to explore the issue of supply chain resilience, and I know throughout the pandemic it sort of really hit home just how critical that is. How will this investment in rail freight support supply chain resilience?

Ms HORNE: Without a doubt, throughout the pandemic we have seen so much of our supply chains—and this has been something that has occurred around the world—really fracture. Whether it has been the impact of shipping lines, as I mentioned—you know, shipping lines that are bypassing the port of Adelaide—or it has been the impact on air freight or it has been the impact on truck driver shortages, there have been so many things going on. So whether it is being able to do things like partnering with the Victorian Transport

Association to invest money into creating a pathway in the freight and logistics sector to create new jobs, whether it has been about making sure that our rail freight network is up and running—and we are sort of rebuilding so much of our regional rail lines—these are important things to be able to start, from end to end, where the state has responsibility to make sure that those supply chains are working.

Ms TAYLOR: I will refer to your presentation, where you mentioned several rail infrastructure projects underway, including the port rail shuttle network. Could you provide some more detail on these projects for the benefit of the committee?

Ms HORNE: Of course. The key thing that we need to be able to do is make sure that those port rail shuttle networks connect into the port of Melbourne and that on-dock rail solution. So when the port was leased there was a requirement in the port of Melbourne lease transaction that they needed to invest in that on-dock rail solution. I am just trying to remember when I was down to do that sod turn; it was not that long ago. But that is a \$125 million project that the port has got underway, and as I said, it will be completed in 2023. Not only as the Minister for Ports and Freight but also too as the Member for Williamstown, which is so adjacent to the port, you see so many trucks in and around that local area. This will be an absolute game changer, and that on-dock rail capacity will end up handling over half a billion dollars in TEU per annum. On top of that we have got obviously the work that is happening out at Altona and down at Dandenong. And then the last one to get really underway is the Austrak terminal up at Somerton. That is still within contract, and we are still working through that with Austrak.

Ms TAYLOR: Another matter that I want to explore a little bit further is the mode shift incentive scheme. Could you outline how the funding of \$3.5 million to extend the mode shift incentive scheme will support the shift from road to rail? And I have to say this really excites me, so I am looking forward to this.

Ms HORNE: Okay. So we have invested more than \$30 million in that scheme over the past eight years. As I mentioned, it supports approximately 170 jobs across regional Victoria. Four freight providers continue to receive those incentives, and they will move up to 42 500 containers by rail. You are taking 28 000 truck trips every year off regional and urban roads, and that has a massive impact on reducing congestion down at the port of Melbourne. These freight producers play that crucial role. They move Victorian produce—meat, dairy, grain, hay, fruit, you name it—that is going out through the port of Melbourne. One of the recipients, Seaway, up at Merbein—so up in Mildura—has got the most incredibly sophisticated operation up there and has invested. And this I think is where you have got government providing a small incentive and also investing in the network but then you see industry massively capitalising on what they are doing. They have created these new sheds up there because, as you can appreciate, much of the produce coming out of that area of Victoria is primary produce but it needs to be protected and preserved so that it can then be in refrigerated containers to go overseas. What they do is chill the grapes up there whilst they are on the containers, as they are then coming down through the port of Melbourne, and that actually provides a massive efficiency for them, because we know the quicker that an exporter can get their produce out to market, the less they have to pay for it.

Ms TAYLOR: Very good. Thank you.

The CHAIR: Thank you, Ms Taylor. Mr Hibbins.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and your team, for appearing this afternoon. Can I ask about the old Melbourne Market site. Is there a new operator in place yet?

Ms HORNE: Look, again, that is a subject very dear to my heart, being on the doorstep of the electorate as well. As you know, VicTrack undertook a request for proposal—because I think we spoke about this last year as well.

Mr HIBBINS: Yes.

Ms HORNE: VicTrack is working with the preferred proponent. But I might hand now to Praveen just to take you through some of those commercial details.

Mr REDDY: Thanks for the question, Mr Hibbins. So VicTrack did go through a request for proposal and now are working with the preferred proponent. Really what was designed was two stages. One was to understand best use of the land, and as you are aware, it is close to that port precinct and it has been identified in

the freight plan as a key ports and freight sector use. Then in addition to that there was work trying to identify what kind of mud map should form part of that proposal. So on the preferred proponent, VicTrack are currently working through due diligence and commercial arrangements, and we are hoping over the next six to 12 months that that will be resolved and settled.

Mr HIBBINS: Okay. Because I think the original plan had the new operator starting in 2021. It is going to be a year later than that, is it?

Mr REDDY: Yes. I think it has been around that complexity of the negotiation.

Mr HIBBINS: Okay. Thank you. Just in terms of that, what sort of uses are we actually looking at for the site?

Mr REDDY: We are looking for a mixture of port rail shuttle facilities, truck marshalling and some storage capacity, and as you may be aware, there have been challenges around empty container storage as well around the port. So it is about trying to find the optimum uses that are relevant to that port and freight precinct.

Mr HIBBINS: Okay. Thank you. Another question—and I think we raised this last time at estimates as well: just where is the inland rail going to end in Melbourne? Is there going to be a direct port connection? When is the terminal going to be actually put in place—or where, I should say?

Ms HORNE: Well, as you can appreciate, it is not the state that is delivering the inland rail project. We have undertaken business case work, and I have had countless discussions with industry. Their overwhelming preference is to have it out in Truganina, the western suburbs of Melbourne, because as I said, that is really where the hub of so much of our warehousing and logistics industry is. Industry has overwhelmingly said, ‘That’s where we want it’. We have reserved—and we have had it on reserve for, what, 20 years or so—the OMR corridor to enable that to occur. Let us see what the new federal government wants to do. I think they have given an undertaking to review the inland rail project.

Mr HIBBINS: Okay. Just in terms of, again, a connection then from the intermodal terminal to the actual port itself, is there any progress on that?

Mr YOUNIS: So, Mr Hibbins, our objective and the state’s position through our freight plan is to have the intermodal terminal at Truganina. We have a southern rail connection that can be built, and we have done a preliminary business case on what that can look like and how that can be built through that southern part, and we have got a pathway where we can do a temporary connection to it through the existing network and ultimately through the outer Metropolitan Ring Road. So there are steps that need to be taken. What we are waiting for is confirmation from the commonwealth as to whether they would support that position. But yes, the connection to there is through the southern rail network. We need some work done on it, and we have done a preliminary business case on what that looks like.

Mr HIBBINS: That would be a terminal to port rail connection?

Mr YOUNIS: Correct.

Mr HIBBINS: Okay. Thank you. Now, your preferred one is western, but is it your position that you will eventually need a northern one as well?

Ms HORNE: That is what the business case has shown. The complexities with the northern one are it does not have the same size of land available to it and it does not have those whole-scale businesses as well—it is much smaller.

Mr HIBBINS: When you talk north, are you set on Beveridge as the location for north?

Mr YOUNIS: Our preferred position is to have Truganina as the primary construction and a northern terminal, which we would need in I think 30 to 40 years time. We will reserve and make sure that we do not build out the options in the northern section. I think the commonwealth have said that Beveridge is their preferred location, but we still need to work through the details of exactly what that looks like and where that would be.

Mr HIBBINS: Okay. Thank you. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. That concludes the time we have set aside for the ports and freights estimates today. We thank you very much for appearing before the committee in this capacity. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a 5-minute break before moving to consideration of the fisheries portfolio.

I declare this hearing adjourned.

Witnesses withdrew.