

APPENDIX A

Submissions and comments

We have consulted with the department and V/Line, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those entities and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the entity head.

Responses were received as follows:

Department of Transport and Planning	43
V/Line	48



Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-23-2143

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office - Effectiveness of rail freight support programs - Proposed report

Thank you for your letter of 24 May 2023 enclosing the proposed report for the *Effectiveness of rail freight support programs* performance audit. The Department of Transport and Planning (DTP) is committed to continuing to work with the rail freight industry to maximise the use of our rail assets to encourage the shift of freight from road to rail.

DTP welcomes the findings in the report that the Mode Shift Incentive Scheme (MSIS) kept container freight on rail that would likely have otherwise gone to road, and generated value for the state.

Delivery of the Port Rail Shuttle Network (PRSN) is a core component of the Government's approach to supporting the shifting of freight from road to rail. The PRSN is a transformational and city-shaping project that will improve efficiency for the MSIS recipients and other regional rail services accessing the Port of Melbourne, and will encourage the growth of short-haul rail freight around Melbourne.

DTP appreciates the recognition in your report of the active management by the Department of the PRSN project agreements, along with the finding that DTP is working with the private sector developers to ensure freight rail services can run as soon as possible.

The PRSN is uniquely leveraging private sector investment, with the project agreements requiring the private PRSN proponents to co-invest in their terminals in return for the Government's support for rail connections to their sites. DTP will continue to effectively manage the PRSN contracts and work with private sector proponents to minimise delays, achieve milestones and achieve private sector co-investment and construction.



Response provided by the Secretary, Department of Transport and Planning – *continued*

DTP acknowledges the report's findings of a range of external circumstances beyond DTP's control that have caused delays in the completion of PRSN terminal works, such as COVID-19 impacts on business and more recent impacts associated with flooding of work sites and other environmental factors.

DTP notes the challenges to the growth of rail freight that are identified in the report – the Department will continue working with Port Rail Shuttle proponents and the Port of Melbourne to finalise plans for the commencement of operations, and continue to work to support the viability of the system. DTP aims to provide further advice to the Government in the second half of 2023 related to supporting the successful start-up of the PRSN.

DTP recognises the positive benefits of moving more freight off the road and onto rail and will continue to manage access to the network for rail freight services to get the best outcomes for the state.

The Department has appreciated the engagement with your office throughout the audit and thanks you for the opportunity to comment on the final report. DTP accepts the seven recommendations outlined in the report and has prepared responses to each recommendation which are enclosed for your consideration.

Yours sincerely

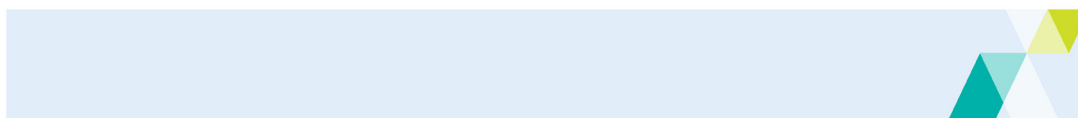


Paul Younis
Secretary
Department of Transport and Planning

8 June 2023

Encl. DTP Action Plan

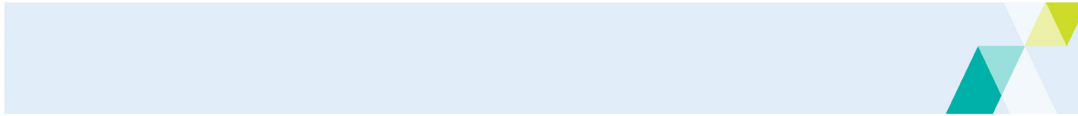




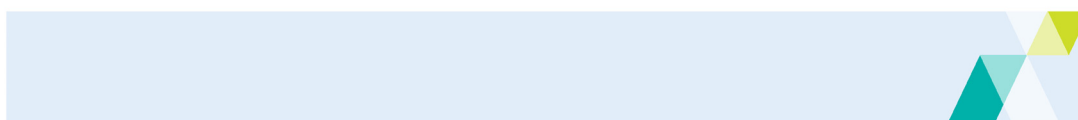
Effectiveness of rail freight support programs

Department of Transport and Planning – Action plan

No.	VAGO Recommendation	DTP Action	Due date
1	Report accurately on containers funded and transported under the Mode Shift Incentive Scheme when reporting actual performance in its annual report and the 2023–24 Budget Paper No. 3: Service Delivery, to provide integrity and transparency against the performance measure for the scheme (see Section 2.1).	Accepted DTP has updated and renamed the definition and title of the MSIS BP3 performance measure for the FY23/24 budget paper to include containers funded and transported under the Mode Shift Incentive Scheme in the Annual Report and the 2023-24 Service Delivery Budget Paper (Containers transported under the Mode Shift Incentive Scheme). This captures both containers funded and transported by rail and also those funded and transported by road due to rail occupations.	Complete
2	Enhance its assurance approach over payments it makes under the scheme, based on an assessment of the significance of the funding provided, and risk (see Section 2.1).	Accepted The MSIS scheme has been extended till June 2024. As part of the 2023-24 funding agreement DTP will amend the MSIS funding agreements to perform a randomised spot-check of an invoice for each of the MSIS recipients and will perform one of these checks before the end of the 2023 calendar year.	30 Jun 2024
3	Review the feasibility of the '30 per cent of metropolitan containers will go by rail by 2050' expectation expressed in various public statements by the government, considering the current rail network constraints and other known commercial viability challenges that the Port Rail Shuttle Network is facing, and advise government accordingly (see Section 3.1).	Accepted DTP accepts that there is a need to examine the feasibility of '30 per cent of metropolitan containers will go by rail by 2050' statement. The statement was an expectation based upon earlier forecasts, with lower growth than currently being experienced and required other supporting infrastructure. DTP will reassess the proportion of metropolitan containers the Port Rail Shuttle Network's is capable of taking at current and forecasted growth rates as part of the network operational planning.	31 Dec 2024



No.	VAGO Recommendation	DTP Action	Due date
4	<p>Work with the Port of Melbourne operator and other freight stakeholders to give focus to re-establishing a rail connection to the Webb Dock precinct and assist as required with:</p> <ul style="list-style-type: none"> • progressing urban and precinct planning work such as the Fishermans Bend Framework • investigating feasibility options for a connection • advising the government on next steps. <p>This should be done in conjunction with relevant strategic port development planning and decision-making processes for broader land-use changes and urban redevelopment in the Fishermans Bend area (see Section 3.4).</p>	<p>Accepted</p> <p>DTP is aware the Port of Melbourne (PoM) considers that additional capacity is likely to be needed and ready for operation by around 2030. DTP has undertaken initial work to consider the potential impacts of growing road volumes around Webb Dock as the port grows. This will be carefully managed to ensure the growth of the port progresses effectively alongside the adjoining Fishermans Bend development precinct, which will also grow in coming years. DTP will continue to work closely with the PoM to support the growth of the port to 2051 and beyond.</p> <p>DTP will consider the PoM's proposal for a potential new rail connection to Webb Dock via a new bridge over the Yarra River and rail staging sidings in the vicinity of the Old Melbourne Market site. These plans will be considered as part of the usual Port Development Strategies process and the planning requirement under the Port of Melbourne Lease.</p> <p>DTP will work with the PoM on the land transport connection planning for the port generally including planning for any new road and rail network capacity needed to support the growth of trade volumes at Webb Dock. (Action 2 - Victorian Commercial Ports Strategy July 2022).</p> <p>DTP will prepare, and keep up to date, a Port Landside Access Plan for each commercial trading port, supporting the development of PDSs by each port manager. (Action 13 - Victorian Commercial Ports Strategy July 2022).</p>	<p>31 Jul 2025</p>



No.	VAGO Recommendation	DTP Action	Due date
5	<p>Actively manage the Port Rail Shuttle Network contracts and work with the private sector developers so that freight rail services can start as soon as possible by keeping a focus on:</p> <ul style="list-style-type: none"> minimising delays and achieving expected milestones <p>monitoring and enforcing requirements such as private sector co-investment and construction activity (see Section 3.3).</p>	<p>Accepted</p> <p>DTP acknowledges the Auditor-General Office’s recognition of the active management the Department has so far taken to facilitate the work with the private sector developers to ensure freight rail services can run as soon as possible. DTP will continue to effectively manage the Port Rail Shuttle Network contracts and work with private sector proponents to minimise delays, achieve milestones and achieve private sector co-investment and construction.</p>	31 Dec 2025
6	<p>Assess the Port Rail Shuttle Network’s wider commercial viability challenges identified by its commissioned research and advice, and work with its experts and advisory committee to provide an action plan to the government before the end of 2023 (see Section 3.4).</p>	<p>Accepted</p> <p>DTP is working with an advisory committee made up of representatives from government departments and PoM to develop a Workplan to support the commencement of PRSN operations, which will identify interventions that could be delivered to address the wider commercial viability challenges for the PRSN.</p>	31 Dec 2023
7	<p>Use its leadership and coordination role in the transport and freight sector to deliver the government’s rail freight policy intent and the Port Rail Shuttle Network’s public commitments by:</p> <ul style="list-style-type: none"> specifically analysing the rail network’s configuration and capacity and whether it is sufficient to deliver the contracted freight volumes or services liaising with the Australian Rail Track Corporation on what freight paths will be needed by the private sector operators on the standard gauge network <p>advising the government on any other specific and practical actions that may be required to support operators to deliver their contracted volumes and services (see Section 3.5).</p>	<p>Accepted</p> <p>DTP is committed to moving more freight by rail in the state and utilising its leadership and coordination role to deliver on the PRSN’s public commitments. DTP is internally progressing planning on freight operations, including in consultation with the Australian Rail Track Corporation, to assess the future upper limits of rail capacity and the configuration for anticipated future freight volumes and will also take a more active management role for pathing requirements, where required. The Secretary must prepare a Rail Freight Network Capability Statement under the <i>Rail Management Act 1996</i> which sets out the capacity, standard and pathing availability on the Victorian rail network. DTP has commenced progressing work on the development of the inaugural Capability Statement.</p>	31 Jul 2024

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8 June 2023

File No: 34760 23

Mr Andrew Greaves
Auditor General
Victorian Auditor-General's Office
L31, 35 Collins Street
Melbourne 3000

Email: [REDACTED]

Dear Mr Greaves

Re: Report: Effectiveness of Rail Freight Support Programs

Thank you for the opportunity to provide feedback in response to the Victorian Auditor General's Report on the Effectiveness of Rail Freight Support Programs (ERFSP) and for the opportunity to comment on important Government initiatives including the *Mode Shift Incentive Scheme (MSIS)*. I shall confine my comments to the MSIS as the Port Rail Shuttle Network does not operate on the V/Line network.

As the operator of the Victorian regional rail freight network, V/Line plays a key role in supporting and promoting the growth of regional rail freight in Victoria. Our Object, as provided in the Transport Integration Act 2010, includes the requirement *to support economic prosperity through efficient and reliable rail freight services*.

The ERFSP report provides a comprehensive overview of three key intermodal services operating on the V/Line network that receive the MSIS, namely:

- The Merbein/Seaway service
- The Warrnambool/Seaway service; and
- The Tocumwal/Linx service.

One other service, the Dooen/SCT service also receives the MSIS, however it operates on the ARTC network.

These intermodal services remove thousands of truck trips from Victorian roads, reducing road damage and fatalities, and leveraging the low emissions of rail freight.

I note the report's findings that three of the four services receiving the MSIS have said that their rail freight services would not likely be viable without the MSIS and am pleased to see that MSIS funding has been extended for a further year.

We understand that the scheme will cease on 30 June 2024 when the Port Rail Shuttle Network comes online. V/Line and Freight Victoria have been working with the three MSIS recipients

operating on the V/Line network to assist them to transition to successful operations without the MSIS. Initiatives to assist them include:

- For the Merbein/Seaway Intermodal Service:
 - Siding extensions at Merbein to allow the Seaway train to stable longer and more efficient 1200m trains;
 - The successful conclusion on 6 June 2023 of the first of two trial trains examining the feasibility of extending the length of the Merbein Seaway intermodal train to 1500m. This train has been proposed as having a maximum trailing capacity of 4560 tonnes and if implemented, would be the largest regional intermodal service in regular operation on the Victorian network and one of the largest such trains on a regional service in Australia.
 - Extension of the crossing loop at Emu to allow the Merbein/Seaway train to operate twin 1200m trains in the future, increasing services from three to six per week; and
 - Improvements to axle loads to permit the operation of 21 tonne axle load wagons on the Merbein/Seaway Service.

- For the Warrnambool/Seaway Intermodal Service:
 - Construction of an 880m loop at Boorcan to allow the Warrnambool/Seaway train length to increase from 320m to 880m.

- For the Tocumwal/Linx Intermodal Service:
 - Extension of a crossing loop at Murchison East to 1200m to allow the Tocumwal/Linx intermodal train to increase in length from 900m to 1200m; and
 - Design development for increased siding space to Tocumwal to facilitate operation and stabling of a longer train.

V/Line also continues to work with terminal and commercial freight train operators to make further improvements to these services with several other new initiatives in development currently.

Regarding the report, while none of the recommendations are specifically nominated for V/Line, I would like to comment on recommendation #4 as follows:

Nominated Responsible Party	VAGO Recommendation	V/Line Comment
Department of Transport and Planning	<p><i>4. Work with the Port of Melbourne operator and other freight stakeholders to give focus to re-establishing a rail connection to the Webb Dock precinct and assist as required with:</i></p> <ul style="list-style-type: none"> • <i>progressing urban and precinct planning work such as the Fishermans Bend Framework</i> • <i>investigating feasibility options for a connection</i> • <i>advising the government on next steps. This should be done in conjunction with relevant strategic port development planning and decision-making processes for broader land-use changes and urban redevelopment in the Fishermans Bend area (see Section 3.4).</i> 	<p>Intermodal freight is an important part of V/Line's operation with goods valued at over \$1.7 billion transported on the V/Line network annually in intermodal trains.</p> <p>A Webb dock rail connection would reduce last mile costs for intermodal trains operating on the V/Line network and in doing so support Government objectives to freight's rail mode share.</p> <p>V/Line is ready to participate in any process to examine and plan for a rail connection to Webb Dock.</p>

Should you have any further queries, please do not hesitate to contact myself or Andrew Henderson (Director – Freight and Third-Party Access).

Kind regards



Matt Carrick
Chief Executive Officer

Copy:

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