

Video transcript: Effectiveness of Rail Freight Support Programs

About this audit

In this audit, we looked at the Department of Transport and Planning and V/Line to see whether 2 programs to encourage rail freight have been effective.

The government wants to increase rail freight for social, economic and environmental reasons.

However, while freight through Melbourne's port is forecast to more than double by 2052, the share moved by rail has not been keeping pace.

The 2 programs

The Mode Shift Incentive Scheme offers rebates to freight handlers in 4 regional road-to-rail terminals.

The Port Rail Shuttle Network aims to reduce trucks on Melbourne's roads and give freight operators more direct port access.

What we concluded

We concluded that these programs have not yet been effective in moving more freight by rail.

We identified a number of reasons for this.

Assessment of program 1

By supporting freight terminals on 4 rail lines, the Mode Shift Incentive Scheme has helped keep containers on trains.

This has generated some benefits for Victoria. However, it hasn't increased the share of containers moved by rail in regional areas.

The freight 'pie' has grown, but rail's slice has not. And 3 quarters of scheme recipients are concerned that without the rebate their rail freight services wouldn't be viable.

Assessment of program 2

The government's expectation has been that by 2050, 30 per cent of Melbourne's metropolitan containers will move by rail. But this is unlikely.

It is not clear that the current rail network has sufficient capacity. And the growth in container freight at Melbourne's port is mostly occurring at Webb Dock, which has no rail connection.

Another issue is the slow progress in delivering the Port Rail Shuttle Network – and therefore its benefits.

And a new report shows that the network may not be commercially viable because of the significant competitive advantage trucks have over trains.

Currently, pricing and operating arrangements at the port's new rail terminal are uncertain.

The operator hasn't published its freight handling rates yet, and initially, the terminal will only operate on weekdays in daylight hours, timing that may not match available rail paths from Dandenong South.

What we recommended

To address these issues, we made 7 recommendations to the department about:

- accuracy of public reporting
- enhancing assurance over payments
- feasibility of 30% metro rail freight expectation
- planning a Webb Dock rail connection
- managing shuttle network contracts
- assessing shuttle network viability
- using its leadership/coordination role to deliver on freight commitments.

More information

To read our full report or download a transcript of this video, please see our website.