



Management of the Freight Network



VICTORIA

Victorian
Auditor-General

Management of the Freight Network

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The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Management of the Freight Network*.

Yours faithfully



D D R PEARSON
Auditor-General

6 October 2010

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Audit summary

Background

The government's vision is for a thriving economy, underpinned by population and economic growth, and a healthy and liveable environment for current and future generations. Achieving this vision means efficiently moving much more freight across the publicly managed transport network, while protecting the environment and the people living near freight routes from the impacts of this growth.

The scale of the challenge is significant. At present nearly 90 per cent of freight travels on the road network. The amount of freight is expected to double over the next 20 years, accompanied by further increases in business and personal travel on roads. Maintaining and improving the efficiency of the freight network, without damaging the environment, requires careful planning and effective action.

The audit examined the effectiveness of *Freight Futures—A Victorian Freight Network Strategy* (the strategy), the government's long-term plan for managing the capacity, efficiency and sustainability of the freight network. We assessed whether the strategy was adequately informed and whether agencies had made satisfactory progress in applying its actions and achieving its aims since its release in December 2008.

The Department of Transport (the department) is responsible for implementing the strategy, and shares responsibility for its actions with VicRoads and the Department of Planning and Community Development.

Conclusions

The directions and actions in the strategy are an essential starting point for managing freight growth. However, these had known limitations that needed to be addressed early in the strategy's implementation for it to be fully effective.

There has been good progress in applying many of the strategy's actions, particularly those affecting the movement of freight through the Port of Melbourne and in large trucks on Melbourne's major roads.

However, the department has been slow to address significant limitations in:

- measuring and reporting the strategy's outputs and outcomes
- improving the quality of information used to inform decisions
- freight issues that were underdeveloped in the strategy, such as managing the growth of light commercial vehicle use.

The department needs to remedy this situation. We saw some recent signs that it is preparing to address these issues.

Findings

The strategy created a logical framework for government action to address the challenges of moving much more freight. It clarified the roles of the public and private sectors and put forward a range of complementary measures to improve the performance of the freight network.

Industry welcomed the publication of a plan that public agencies and the private sector could work with after a lack of progress in the preceding years. However, publishing the strategy by late 2008 meant the department had to compromise on the strategy's content and would have to deal with some important limitations during implementation.

Performance measurement

Measuring and communicating success is important for accountability and effectiveness. The community should be informed about progress against plans and whether agencies are achieving intended outcomes. The government needs information on effectiveness so it can decide whether it needs to do more.

The department had not worked out how it would measure and report on the strategy's progress and outcomes in late 2008, and this remains the case.

Adequately informing decisions

Good information provides clarity about the issues and helps frame actions that are effective in addressing problems and mitigating the risk of unintended impacts. The strategy confirmed that to properly plan for the future, the department should improve its understanding of all aspects of the freight task.

In this regard, the department has not made satisfactory progress. Consequently, decision making becomes more difficult. For example, the department is implementing a charge on trucks carrying international containers to and from the Port of Melbourne. There is significant uncertainty about the impacts on travel and the viability of small operators, partly because the department has little information on detailed trucking operations.

The department is working to address this situation by consulting with stakeholders and completing a baseline survey of truck movements before implementing the charge.

Freight issues with underdeveloped solutions

The strategy focused most on the capacity and efficiency problems for freight carried through the Port of Melbourne and on Melbourne's major roads in large trucks. This was consistent with government's priorities and made possible because the department had a better understanding of the issues for these parts of the freight task.

Other important issues, such as the movement of light commercial vehicles, had less comprehensive coverage. The department decided to focus on heavier goods vehicles because these carried more than 90 per cent of Victoria's road freight by weight. In addition, it did not have a good enough understanding of light commercial vehicle issues to propose specific solutions, so the strategy's actions focused on building a better understanding.

Light commercial vehicles are important for freight efficiency. They play an important local delivery role, make up 15 per cent of all vehicle kilometres travelled in Victoria, and are the major freight contributor to urban congestion. Their numbers are expected to grow faster than cars and other freight vehicles.

The department had not made satisfactory progress on this and needs to form clear plans to address the problems associated with them. It has started to do this through case studies of freight movement in the different types of retail and business precincts found in Melbourne.

We also expected, but did not find, clearly documented priorities and appropriate plans covering all the actions in the strategy.

Recommendations

Number	Recommendation	Page
1.	The Department of Transport should publish information that explains the strategy's priorities, how actions are linked, and the time lines for their completion.	23
2.	The Department of Transport should develop, as a high priority, indicators that adequately describe progress in achieving the strategy's actions and delivering on the intended outcomes.	23
3.	The Department of Transport should regularly report to the community on the strategy's progress, outcomes, forecast impacts and any changes to the strategy's content and priorities.	23
4.	The Department of Transport should form clear plans for addressing the strategy's information gaps and the issues about last kilometre access for heavy goods vehicles, off-peak access to retail precincts and the management of light commercial vehicles.	23
5.	The Department of Transport, VicRoads and the Department of Planning and Community Development should improve the quality of project plans across all of the actions in the strategy to reflect the better practice requirements of the Department of Transport's Project Management Framework.	23

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Transport, VicRoads and the Department of Planning and Community Development with a request for submissions or comments.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments, however, are included in Appendix A.

1 Background

1.1 Introduction

Victoria's prosperity and liveability depend partly on efficient, seamless and sustainable freight movement. In 2008 the government published *Freight Futures—A Victorian Freight Network Strategy* (the strategy). The strategy recognised that while the private sector transports most of the state's freight, the public sector's role is to facilitate this by better managing the publicly owned freight network.

This audit reviewed the effectiveness of the strategy's implementation in terms of the adequacy of the Department of Transport's (the department) actions and its progress to date in applying them to achieve the strategy's goals.

1.2 The growing freight task

1.2.1 The current task

The role of different modes of transport

In 2007, of the 560 million tonnes of freight moved into, out of, and around Victoria:

- 89 per cent, or about 500 million tonnes, was carried by road
- 9 per cent by sea
- 1 per cent by rail
- a very small amount, in terms of weight, by air.

Road transport is by far the most common way freight is carried within Victoria and between Victoria and other states and territories.

The 9 per cent of freight coming through Victoria's ports, and particularly the Port of Melbourne, is critical to the economy because it includes Victoria's international imports and exports. Most imports and exports by volume are carried in containers and 40 per cent of the Australia's container traffic comes through the Port of Melbourne.

Of the other modes of transport:

- rail's share of the task is small because it effectively only competes for carrying bulky materials and goods between states or over longer distances within Victoria
- air freight is relatively expensive and is confined to goods that have a high value in relation to their weight.

Freight on the road network

While road travel is critical to efficient freight distribution, goods vehicles have a relatively small impact on traffic flows for most roads within Victoria. Australian Bureau of Statistics data show they make up about 21 per cent of the distance travelled by all vehicles, and of this:

- larger rigid and articulated goods vehicles carry 91 per cent of road freight by weight but account for only 33 per cent of freight vehicle kilometres
- smaller, light commercial vehicles, doing shorter more frequent trips with lighter loads, carry 9 per cent of freight by weight but account for 67 per cent of the kilometres travelled by freight vehicles.

1.2.2 Past and expected growth

The freight task grew by around 50 per cent from 370 to 560 million tonnes between 1999 and 2007, at an annual growth rate of 5.3 per cent—closely following economic growth.

This resulted in:

- a 50 per cent increase in road freight traffic across Victoria
- an 87 per cent increase in containers going through the Port of Melbourne.

Over the same time, car travel increased by 25 per cent across Victoria and by 41 per cent in Melbourne.

With population and economic growth expected to continue, the department expects:

- Victoria's freight task to grow by 46 per cent to 820 million tonnes by 2020, and to nearly double to 1 100 million tonnes by 2030
- the number of containers moving through the Port of Melbourne to rise by 250 per cent from two to seven million by 2030.

Without further action to move road freight onto rail or into larger goods vehicles, the number of freight vehicles and the distance they travel are expected to nearly double by 2030. This is likely to be accompanied by further significant increases in car traffic as Victoria's, and especially Melbourne's, population continues to grow.

1.2.3 The scale and complexity of the challenge

Providing a freight network that can effectively accommodate future growth, deliver greater efficiency and manage the effects of traffic growth on the environment and those living near freight routes, is a significant challenge.

The state has invested in maintaining the efficiency of the freight network by:

- expanding and upgrading parts of the road network
- improving the frequency and coverage of bus, train and tram services
- upgrading, with the private sector, the Port of Melbourne's facilities
- more recently taking control of, and investing in, the state's freight rail network.

In terms of the performance of the freight network over the last decade:

- Investment has improved the capacity and performance of parts of the road system. However, between 1999 and 2008, average travel speeds on the parts of Melbourne's road network monitored by VicRoads fell by 8 per cent in the morning peak, 11 per cent in the evening peak and 4 per cent in the off peak.
- The Port of Melbourne's container handling capacity and efficiency has improved and allowed it to manage larger volumes of freight.
- Rail freight within Victoria has been stagnant or declining because the lack of investment and past institutional arrangements have hampered growth.

1.3 Policy

Recognising that the future of the freight network is a vital element in the state's growth and liveability, the government launched the strategy in 2008 to achieve three aims:

- improve network efficiency
- make sufficient capacity available in the long-term
- enhance network sustainability by improving public safety and reducing the adverse impacts of traffic on the environment and the community.

The strategy includes 20 directions and 81 actions to achieve these aims. The number and diversity of these actions reflect the scale of the emerging challenges and the need for action involving infrastructure investment, land use planning, regulation, pricing and technology improvements. Successful application of these initiatives requires close cooperation between public sector agencies and the support of the businesses that move freight on the publicly owned network.

The department recognised that it needs to consult and partner with the private sector and local councils if the strategy is to achieve its aims because:

- the private sector decides how it will use the freight network
- local councils are involved in planning for freight through their responsibilities for local roads and land-use planning.

The strategy draws on several other policies and strategies, including:

- *Growing Victoria Together*
- *Melbourne 2030*
- *Victorian Ports Strategic Framework*
- *Keeping Melbourne Moving*.

The strategy complements and expands the freight-related parts of the 2008 *Victorian Transport Plan*, which is the long-term vision for sustainable and effective transport.

The department is responsible for the strategy overall, with VicRoads responsible for road network and road vehicle regulation activities. The Department of Planning and Community Development is responsible for the planning and land-use changes required to adequately plan for and protect the freight network.

1.4 National context

The Commonwealth has renewed its commitment to develop the national transport infrastructure through initiatives relevant to Victoria's transport network, including:

- the *National Transport Policy*
- the aims and priorities of Infrastructure Australia and the Commonwealth Building Australia Fund
- the Auslink Program, now known as the Nation Building Program
- the *National Strategy for the Transport and Logistics Freight Industry—Enhancing Australia's Supply Chains 2008–15*.

A number of state-based initiatives within the strategy have national significance and impact. Therefore several, major capital projects within the strategy will depend on funding from the Nation Building Program.

1.5 Audit scope and objectives

The audit assessed whether:

- the strategy was based on sound assumptions and rigorous analysis of the information relevant to its goals
- there was an effective framework for implementing the strategy and measuring and reporting on its progress
- this framework could trigger action if improvement was needed
- agencies were making satisfactory progress towards the strategy's goals.

1.6 Method and cost

The audit was undertaken in accordance with Australian Auditing and Assurance Standards.

The cost of the audit was \$420 000.

1.7 Report structure

The report is structured as follows:

- Part 2—Developing a blueprint for effective action.
 - Part 3—Achieving the strategy's objectives.
-

2 Developing a blueprint for effective action

At a glance

Background

An effective strategy needs clear aims, actions based on sound evidence and frameworks for prioritising actions, measuring their outcomes and reporting on progress.

This part examines the effectiveness of *Freight Futures* (the strategy).

Conclusions

The strategy's directions and the actions are an essential starting point for addressing the freight transport challenges facing Victoria. However, the tight time frame for finalising these actions means they have significant limitations that will diminish the strategy's effectiveness if not addressed.

In terms of strengths, the strategy created a logical framework for action:

- providing clarity about the government's policy aims and responsibilities
- recognising that success requires close collaboration with the private sector
- conveying the magnitude of the challenges of future freight growth and including a range of reasonable measures to improve the network and manage demand.

The limitations when the strategy was published included:

- absence of the preparatory work needed to apply the strategy and measure its progress and success
- restricted consultation with the private sector and local government
- incomplete information about the freight task, current problems and the expected impacts of the strategy's actions on future problems
- uneven coverage of different parts of the freight task.

While these limitations did not negate the strategy's value, they need to be addressed early in the strategy's implementation.

2.1 Introduction

An effective strategy requires clear goals, actions based on rigorous analysis, an implementation plan that focuses resources on the most important activities, and a monitoring and review framework that helps deliver the intended outcomes.

This part examines the extent to which *Freight Futures* (the strategy) formed a sound blueprint for effective action.

2.2 Conclusion

The strategy's directions and the actions are an essential starting point for addressing the freight transport challenges facing Victoria. However, the tight time frame for finalising these actions means they have significant limitations that will diminish the strategy's effectiveness if not addressed.

2.3 The strategy's strengths

The strategy created, for the first time, a logical framework for government action to help address the challenges facing freight transport in Victoria.

Industry supported the strategy as an essential starting point for meeting the emerging freight transport challenges. It welcomed the publication of a dedicated strategy after a history of false starts and past policy documents, which had not adequately addressed freight issues, or offered a framework for effective action.

In terms of its strengths, the strategy:

- clarified the government's role and its goals, while acknowledging the importance of working closely with the businesses that move freight, and the people affected by freight traffic
- recognised the seriousness of the freight challenges and formed a set of complementary actions to both address specific supply bottlenecks, and to manage and regulate demand
- committed to an evidence-based approach for setting and refining actions.

2.3.1 Clarity about the public sector's role and its aims

The strategy defined the public sector's role as the provider, manager, maintainer and regulator of the publicly owned network of roads, railways, ports and other facilities that private businesses use to move freight. This had the benefit of focusing actions on the publicly controlled network and leaving the private sector to make decisions about day-to-day freight operations.

Because it is important to the state's economic growth and prosperity, the government's policy is both to accommodate future freight and to minimise the impacts on people's health and amenity and the environment. Improved network efficiency and sufficient capacity should be balanced with the goal of sustaining the state's environment and liveability.

2.3.2 The need to influence both demand and supply

Recent Victorian Government and Council of Australian Governments (COAG) inquiries into urban congestion concluded that successful strategies need to include a mix of measures working on both transport supply and demand. The nature and scale of traffic growth means that building additional system capacity alone is unlikely to lead to efficient or sustainable outcomes.

The December 2006 COAG report—*Review of Urban Congestion Trends, Impacts and Solutions*—found that 'the most effective responses will...incorporate a number of complementary supply and demand-side measures...and short, medium and long-term elements, with the flexibility for elements' timing to be adjusted in response to changes in need over time'.

The strategy conforms to this approach by including measures to:

- build additional network capacity to address specific freight bottlenecks or severe environmental impacts
- invest to improve road infrastructure efficiency and develop rail as a viable alternative for more freight traffic
- manage demand through improved planning, regulation, traffic prioritisation and, to a limited degree, access pricing.

2.3.3 Commitment to evidence-based decisions

The scale of the challenge of successfully managing future freight growth makes an evidence-based approach critical. The strategy committed to developing data collection and analysis, and performance monitoring capabilities, to inform decisions and track its success.

2.4 The strategy's limitations

While recognising the strategy's value, agencies and stakeholders also understood its limitations. The decision to finalise the strategy before the end of 2008 meant agencies did not have time to address these important limitations before publication. They will need to do this as a priority as the strategy is implemented, if it is to be effective.

The limitations at the time the strategy was published included:

- no implementation framework
- no performance measurement and reporting framework
- restricted consultation with the private sector and local government
- incomplete information on the freight task, current and future problems and the expected impacts of the strategy's proposed directions and actions
- uneven coverage of different parts of the freight task, focusing on the Port of Melbourne and major road freight routes.

2.4.1 Readiness to implement the strategy

When the government launched the strategy, agencies were not ready to implement it. The strategy did not include priorities or time lines for its directions and actions, and agencies had not formed plans, at the time of its release, about how they would prioritise and complete these actions.

Without clearly documented priorities, time lines and adequate plans:

- the community could not understand the relative importance of the strategy's actions and would not be able to assess progress
- agencies would be delayed in implementing the strategy's actions
- there was a risk that the development of some important actions would be delayed without a clear framework for when and how they needed to be addressed.

The department's focus up to the release was on finalising the strategy's content. It took a further six months to restructure the division overseeing the strategy so that it was capable of implementing its actions. The work on implementation planning started in June 2009, six months after the strategy was published.

During the strategy development and after its release, the department and VicRoads continued to work on freight-related actions that pre-dated, and were subsequently incorporated into, the strategy. These included the deepening of the Port of Melbourne's shipping channels, road upgrades, a truck action plan to address the impacts of freight traffic on residents of Melbourne's inner west and a freight action plan for south-western Victoria.

2.4.2 Readiness to measure progress and success

The department understands the importance of setting clear objectives and performance indicators that demonstrate the achievement of the objectives. In November 2009 the department mandated that all project business cases include outcomes realisation plans to measure project outcomes.

Adequate performance measurement and reporting is critical. It helps the community, the department and the government understand the effectiveness of the strategy's actions. The department needs this information so that it can advise government on what is required to achieve policy objectives.

The strategy included clear aims and objectives about capacity, efficiency and sustainability. However, when the strategy was released, the department had not worked out how it would measure success and report this information to the government and the community.

2.4.3 Consultation during the strategy's development

The consultation with the private sector and local government on the strategy was limited. It came late in the strategy's development and was used to confirm rather than shape the strategy. While not ideal, this was an acceptable approach because the department:

- tailored the consultation to achieve the established time lines for publishing the strategy
- had sufficient information to set the strategy's directions without more extensive consultation
- had drawn on its previous consultations with stakeholders in the years before this final phase of the strategy's development
- understood that a deeper level of consultation would be needed to translate the strategy's directions into effective action.

The International Association for Public Participation defines the following levels of consultation:

- **inform**—inform participants about the problems and potential solutions
- **consult**—listen to participants' views on problems and potential solutions
- **involve**—work with participants so that their issues are reflected in potential solutions
- **collaborate**—partner with participants in developing potential and choosing preferred solutions
- **empower**—give participants the decision-making responsibility.

The department consulted industry and local government through workshops with the Victorian Freight and Logistics Council, the Victorian Transport Association and the Municipal Association of Victoria in August 2008, before publishing the strategy in December 2008.

However, the department did not show participants the draft strategy or the analysis underpinning it, or ask for direct feedback on its contents. Rather it engaged on issues at the 'consult' level of participation to:

- clarify the strategy's scope and effectively manage stakeholder expectations
- as far as practicable, achieve broad support for the high-level concepts and directions
- use the feedback to help finalise specific proposals.

The department was comfortable with this limited level of consultation because it had enough information to set the strategy's directions. It did, however, recognise that a more involved and collaborative approach would be essential to successfully apply these directions.

2.4.4 Information gaps and analysis limitations

The department assembled sufficient knowledge to set the strategy's directions but understood that there were information and capability gaps that needed to be addressed for the strategy implementation to be effective.

The available information showed the severity of the problems associated with freight movements around the Port of Melbourne and on Melbourne's major roads. The department's modelling of future conditions showed that these problems would worsen and provided some insight into the type of measures that could improve performance.

Improving information on the current and expected freight task

The department did not have the information it needed to fully understand the:

- origins and destinations of heavy trucks and the commodities they carry
- movement patterns and characteristics of light commercial vehicles and heavy trucks making deliveries off the major road system
- efficiency of current freight movements
- impacts of freight movements on amenity, the environment and the economy.

The department recognised the need to improve its understanding of the freight task and to upgrade its ability to analyse this information and model the effectiveness of alternative treatments.

The department also needs improved forecasts of Victorian freight, including where and how this is likely to move around the state.

Improving the capability to forecast problems and test solutions

In terms of its modelling capability, the department developed a freight movement model for Melbourne to complement its transport model for personal movement by car and public transport. The freight model includes most, but not all the commodities, moved by heavy trucks in Melbourne. It does not include light commercial vehicles.

The department used these models to estimate up to 2031:

- car and freight movements and congestion on Melbourne's roads in the absence of the strategy
- the impacts of the strategy's proposals on the movement of freight.

The model results illustrated the negative implications for freight movement on Melbourne's major roads of a 'business as usual' approach to managing the network. It was clear that the expected growth of freight and personal travel would make Melbourne's roads much more congested in the future.

However, the department did not have sufficient time for a full consideration of the modelled results, their reliability and how it should improve the model to reliably assess the actions included in the strategy.

Developing better information and an improved capability

It is important that the department works out, at the front end of this 30-year strategy, how and by when it needs to improve its knowledge and modelling capability to inform government's decisions. Without this type of considered approach and up-front investment, deadlines for decisions may run close to, or ahead of the department's ability to properly inform them.

2.4.5 Uneven coverage of the freight task

The strategy rationally focused on the Port of Melbourne and the movement of freight by heavy trucks along Melbourne's freeways and major arterial roads. Most of the analysis, directions and actions were designed to address these areas because the department:

- identified them as most important to the state's economy
- knew that the state controlled, and could act to improve, performance on these parts of the network
- understood the problems well enough to establish directions and specific actions.

Parts of the freight industry criticised the strategy for not applying a similar approach to addressing the challenges associated with:

- the movement of light commercial vehicles in Melbourne
- heavy trucks accessing local roads to deliver or pick up freight
- goods vehicles gaining access to retail precincts overnight
- moving freight around regional Victoria.

The department acknowledged the importance of addressing these challenges by including actions for better managing the 'last kilometre' of freight journeys and the growth of regional freight. The decision to focus on major freight movements and the lack of current knowledge about these issues, meant the strategy's actions focused on building a better understanding of the problems and how best to address them.

These parts of the freight task are very important. For example, light commercial vehicles are critical to local deliveries of freight, yet contribute significantly to urban congestion.

Agencies needed to make early progress in understanding these particular freight challenges to determine what they should do to effectively address them.



3 Applying the strategy to achieve its objectives

At a glance

Background

This part examines whether the implementation of *Freight Futures* (the strategy) since December 2008 has been effective. To do this we assessed whether agencies had made adequate progress, built on the strategy's strengths, and addressed its limitations.

Conclusions

Agencies have made good progress in implementing many of the strategy's actions, and particularly for those involving the movement of freight through the Port of Melbourne and in large trucks on Melbourne's major roads.

However, progress has not been satisfactory in addressing some of the strategy's limitations, a situation that needs to be remedied as a matter of priority.

Recommendations

The Department of Transport should:

- publish information that explains the strategy's priorities, how actions are linked, and the time lines for their completion
- develop, as a high priority, indicators that adequately describe progress in achieving the strategy's actions and delivering on the intended outcomes
- regularly report to the community on the strategy's progress, outcomes, forecast impacts and any changes to the strategy's content and priorities
- form clear plans for addressing the strategy's information gaps and the issues about last kilometre access for heavy goods vehicles, off-peak access to retail precincts and the management of light commercial vehicles.

The Department of Transport, VicRoads and the Department of Planning and Community Development should improve the quality of project plans across all of the actions in the strategy to reflect the better practice requirements of the Department of Transport's Project Management Framework.

3.1 Introduction

In examining the implementation of *Freight Futures* (the strategy) since December 2008 we assessed whether agencies had built on the strategy's strengths, and addressed its limitations.

We assessed whether agencies had:

- adequately implemented the strategy by setting clear priorities and forming robust plans and completing actions identified as high priorities
- measured progress and worked out how best to measure success
- consulted more intensively with stakeholders
- made progress in addressing the strategy's information and coverage gaps.

3.2 Conclusion

Agencies have made good progress in implementing many of the strategy's actions and particularly for those involving the movement of freight through the Port of Melbourne and in large trucks on Melbourne's major roads.

However, progress has not been satisfactory in addressing some of the strategy's limitations and agencies need to remedy this situation as a priority.

3.3 Managing the strategy's application

The Department of Transport's (the department) and VicRoads' performance in managing the strategy was mixed because they:

- set clear, internal priorities but did not clearly communicate these, or the rationale linking them, to stakeholders and the community
- had not made sufficient progress in addressing the strategy's limitations
- had not consistently documented how the strategy's actions would be developed and delivered.

3.3.1 Setting and communicating priorities and progress

The strategy described 20 directions and 81 actions, but did not adequately explain how these were linked or should be prioritised.

We found that agencies, since the strategy's launch, had developed clear priorities and a rationale linking them. However the department had not:

- adequately communicated these to the wider community
- given sufficiently high priority to addressing some of the strategy's limitations.

Considering how complex, large, wide-ranging and long-term the strategy is, it is important that linkages and priorities are clear to:

- guide the responsible agencies in making decisions about how best to use their available resources to achieve the strategy’s aims
- help the freight industry and the community understand how, over the life of the strategy, it is meant to unfold, support its application and assess its progress.

The publicly available documents did not provide this type of understanding, and the department needs to improve on this so it can effectively manage industry and community expectations.

Our understanding of the application priorities

In the first two years of the strategy’s application agencies prioritised:

- **managing major freight movements around Melbourne**—defining and developing the freight network to efficiently handle major freight flows
- **managing container growth through the Port of Melbourne**—addressing the short- and longer-term challenges of container traffic growth.

Figure 3A lists the actions that fall under these two priority areas. We found evidence of significant progress across most of these priority areas.

Figure 3A
Freight Futures application priorities

Priorities and actions
<p>Managing major freight movements around Melbourne</p> <ul style="list-style-type: none"> • defining and protecting a Principal Freight Network for road and rail • developing proposals to improve the Principal Freight Network • planning for major freight activity centres in outer Melbourne • trialling the use of larger freight vehicles in Melbourne and regional Victoria • developing an alternative east-west freight route to the Westgate Bridge
<p>Managing container growth through the Port of Melbourne</p> <p>Improving the port’s capacity and efficiency by:</p> <ul style="list-style-type: none"> • completing the channel deepening project • developing a way of boosting short-term container capacity • preparing to move the interstate rail terminal from the port precinct • developing the Port of Hastings as a long-term supplement to the Port of Melbourne <p>Improving the land transport of containers to and from the Port of Melbourne by:</p> <ul style="list-style-type: none"> • developing a charge on trucks carrying international containers to improve efficiency • improving the rail network to grow rail freight between the port and regional Victoria • developing inter-modal terminals to move some metro traffic onto rail or larger trucks <p>Protecting the environment by:</p> <ul style="list-style-type: none"> • finalising a plan to reduce the impact of trucks on residents living near the port

Source: Victorian Auditor-General’s Office.

The department has not adequately communicated its priorities and the time lines associated with these actions to the community.

To achieve an appropriate level of transparency and allow for adequate scrutiny, the department needs to publish and regularly update material:

- describing the time lines for achieving the strategy's directions and actions
- explaining the priorities and linkages driving these time lines
- conveying the risks to achieving the strategy's goals and how these are being managed.

3.3.2 Assurance that plans are robust and on track

The department's guidance on project management

The department's Project Management Framework sets out good practice for developing and delivering projects within the department including:

- a Project Mandate describing when a project has been identified, the objectives, outcomes, options, risks, resources and expected time frames
- a Project Business Case describing when a project has been developed, the information about the costs, benefits and risks government needs to decide whether and how the project should proceed, together with a plan for measuring the intended outcomes
- a Project Management Plan describing, after a project has been approved, how the agreed outputs and outcomes will be achieved. This includes the schedule, key milestones, budget, project governance, stakeholder and risk management processes.

We expected to find, as a minimum, planning information consistent with a Project Mandate for the 81 actions in the strategy. For those actions that were in development or delivery, we expected more detailed and refined information.

Review of project documentation

We found evidence of improved planning since the release of the strategy, especially for those actions seen as priorities by the department. However, agencies did not provide documentation for most of the 81 strategy actions consistent with a Project Mandate. The quality of the project plans that were provided varied—some were comprehensive, clear and realistic, while others were inadequate.

Agencies responded to our request for planning documentation covering the strategy's 81 actions by providing material for:

- 17 of the 81 actions
- 15 of the more than 100 sub-actions listed in the strategy, which mostly consisted of road upgrade projects.

The quality of planning was better for projects seen as high priorities. However, one residual area of weakness is clarity about project outcomes and how these will be measured.

While good documentation does not guarantee good management, it makes it more likely and provides information that can demonstrate that agencies are clear and realistic about project objectives, outcomes and the pathways to achieving these outcomes.

The department, through its Project Management Framework, has developed a set of good practices for project development and delivery. It now needs to effectively apply these to the actions in the strategy.

3.4 Measuring the strategy's progress and success

It is important that the department:

- measures progress against its plans and priorities
- demonstrates how this contributes to the strategy's intended outcomes
- makes this information available to government and the community so they can objectively assess the strategy's success.

This type of information is particularly important for long-term and complex strategies where impacts are uncertain and achieving acceptable outcomes requires regular review and refinement.

The strategy stated that: 'The Victorian Government will put in place formal arrangements to monitor its implementation and to measure the performance of the freight network in Victoria...As part of this reporting and review process, performance measures will be developed and monitored.'

The department did not prioritise this after the strategy was released and consequently made little progress on these actions up to mid-2010. There was evidence of a renewed focus since mid-2010. Delivering on these actions is critical to the strategy's long-term success.

3.4.1 Actions to date

In terms of reporting on progress, the department tracks the status of the strategy's actions in an electronic table and periodically sends the Minister for Roads and Ports a summary for each of the strategy's directions. However, with no clear documentation on how these directions are linked and prioritised, it is difficult to understand the significance of this information.

The department published its first report card on *Port Futures* and *Freight Futures* in August 2010. While this includes useful information on what has been achieved, the absence of clearly documented priorities and outcome measures make it difficult to understand whether the strategy is on track and if it has been effective.

The department has not determined how to measure and report on the strategy's outcomes but recognises the importance of doing this quickly. It circulated draft, overall performance indicators to VicRoads in April 2010 for discussion. In July 2010 it formed a dedicated team within its freight and logistics division to focus on this.

3.4.2 Future reporting requirements

The department needs to:

- publish the strategy's short-, medium- and long-term priorities and regularly report on progress in achieving intended outputs
- measure and report on the outcomes of actions within the strategy
- work with other government agencies and the private sector to develop and regularly publish performance indicators to inform government and the community about the strategy's outcomes.

Reporting needs to provide information on both the outputs produced as a result of the strategy, and the outcomes, to demonstrate the progress they have made on achieving the strategy's aims. Outcome reporting should include indicators to measure the achievement of the strategy's capacity, efficiency and sustainability objectives that are:

- **relevant**—revealing information that directly relates to the objective
- **appropriate**—providing enough detail to understand the significance of changes and what this is likely to mean for the strategy's success
- **represents performance**—providing sufficient accuracy to draw reliable conclusions.

While performance indicators track past performance, the department also needs to estimate the impact of its actions on future performance. This is critical for long-term effectiveness because it provides the opportunity to refine the strategy if expected performance looks like falling short of what is acceptable.

3.5 Consulting with stakeholders

The department and VicRoads have engaged stakeholders in substantive consultation for actions in reaching key decision points, and, in August 2010, delivered on government's commitment to start six-monthly Industry Supply Chain Forums.

Meaningful consultation is often challenging because policy objectives do not always align with stakeholders' interests and priorities. Agencies need to understand and address stakeholders' concerns about how they are applying policy, while remaining focused on achieving the policy's intended outcomes.

To do this successfully, agencies need to:

- engage with stakeholders to understand their views and the evidence underpinning these
- assess the implications of these views for achieving government's policy objectives and for causing unintended and unwanted consequences
- advise government on how to proceed and best achieve its policy objectives.

3.5.1 Improved consultation on high-priority projects

As projects have moved into detailed planning we found that agencies had intensified consultation. Examples of this type of consultation include projects for:

- trialling the use of very large freight vehicles
- developing a charge for trucks carrying international containers
- planning for a network of metropolitan inter-modal freight terminals to encourage the greater use of rail and larger road vehicles for container traffic.

We found that agencies:

- understood the views of stakeholders likely to be affected
- did not always have the information needed to test these views before proceeding, and this meant managing the risk of adverse reactions
- had adopted a slower, more methodical approach for the development of inter-modal freight terminals.

It is important that agencies develop and apply actions in a way that achieves their intended aims while avoiding adverse outcomes, such as a charge on trucks threatening the viability of small transport businesses. Where agencies have a challenging deadline that limits prior research, it is important to adequately measure the impacts and have the flexibility to address adverse outcomes.

The following figures summarise the consultation approach for three projects.

Consultation case studies

Figure 3B describes the consultation on very large freight vehicles. In summary:

- VicRoads set operating conditions to achieve the dual objectives of trialling these vehicles while addressing the risk of an adverse community response
- industry predicted minimal take up and this has proved to be the case
- VicRoads recognised the need to reconsider and possibly relax some operating conditions to increase participation in the trial and support its evaluation.

Figure 3B
Consulting on trialling high productivity, freight vehicles

Concentrating more freight in fewer, larger road vehicles is important to future efficiency and achieving a healthier environment for those living near freight routes. VicRoads started this trial in September 2009 by allowing prescribed, larger goods vehicles to operate on limited routes to and from the Port of Melbourne and in parts of south-west Victoria.

Large vehicles offer environmental and safety benefits when compared to using increased numbers of smaller vehicles. However, there are community concerns about larger vehicles. To address these and meet policy objectives, VicRoads applied operating conditions including, environmental requirements and route limitations.

Road industry representatives thought the operating conditions would mean little take-up for the trial because it was not commercially viable and argued for more relaxed conditions.

The operating conditions may be too restrictive for a robust trial assessment. There is currently only one operator in the trial in Melbourne and one in south-west Victoria.

VicRoads is considering the need for a relaxation of the route constraints to get more companies to join the trial while maintaining the environmental requirements.

Source: Victorian Auditor-General's Office.

Figure 3C describes the consultation on the truck charge. In summary:

- the imposition of this charge is consistent with government policy
- industry raised reasonable issues about the risk of unintended consequences, affecting the viability of small businesses, and ineffective outcomes
- the department does not have sufficient information to assess the significance of these risks and therefore needs to have a way of measuring and reporting on the outcomes before applying the charge.

Figure 3C
Consulting on a truck charge for carrying international containers

The strategy included a charge for trucks accessing the Port of Melbourne to improve efficiency and sustainability by reducing peak traffic, increasing loads and encouraging transfers to rail. The strategy acknowledged the need to guard against unintended operational outcomes, that might affect the viability of smaller trucking businesses.

Another objective of the charge is to raise almost \$1 billion over 10 years for *Victorian Transport Plan* projects.

While some industry participants support the charge, concerns raised during the stakeholder consultation included that the charge would:

- adversely affect small transport operators
- impose additional administration costs
- affect Melbourne's export competitiveness
- be ineffective in reducing truck travel because of the way the supply chain is organised.

The department does not have sufficient information to estimate the likely impact of these claims and will need to design a framework that can measure and address these risks. It has commenced this by establishing an advisory group of relevant industry representatives to develop a better understanding of the charge's impacts.

Source: Victorian Auditor-General's Office.

Figure 3D describes the consultation on inter-modal terminals. In summary:

- moving some of the port's metro-bound freight to rail or very large freight vehicles is important if freight efficiency is to be maintained, but represents a challenging goal in terms of short-term commercial viability
- the department is extensively consulting with industry to inform the way ahead and this is a sensible approach given the commercial challenges.

Figure 3D
Consulting on developing inter-modal terminals in Melbourne

The strategy aims to develop inter-modal terminals in outer Melbourne to capture some of the container traffic currently travelling by road to these areas. Forecast freight growth and increased road congestion means that rail will be able to compete for a portion of this traffic in the future.

Currently rail carries none of this freight and this means that sections of the industry are sceptical of the viability of this market segment.

Given the commercial challenges, the department decided to approach the development of metropolitan freight terminals through extensive research and consultation. It released the *Shaping Melbourne's Freight Future* discussion paper in April 2010 as the first stage in this process.

Source: Victorian Auditor-General's Office.

3.5.2 Where consultation needs to improve

Agencies need to closely involve stakeholders in the development of actions to address issues that are considered important, but which are at an early stage in their development. These include:

- better managing light commercial vehicles especially in Melbourne
- improving off-peak access for goods vehicles to retail precincts and shops in built-up areas
- improving access for heavy goods vehicles to destinations that are linked to major roads by local roads in Melbourne and regional Victoria.

3.6 Addressing information and analysis gaps

We found no evidence that the department had made satisfactory progress in addressing the information and analysis gaps, despite acknowledging the importance of good information to decision-making.

The creation of a Strategic Performance and Partnerships work unit within the department's freight and logistics division in July 2010 shows a renewed focus on addressing these gaps.

As an early task, the department needs to decide how and by when it needs to improve its knowledge and capability to inform the application and future review, of the strategy. In doing this it should make the most of the department's existing modelling tools.

3.6.1 Information on the current and forecast freight task

While the department recognised that it needed to develop better information on the freight task, we found no evidence of progress since the strategy was published in late 2008.

3.6.2 Capability to forecast problems and test solutions

The department's past investment in models for freight and personal movement in Melbourne provides a good foundation for analysing current problems, forecasting growth and testing the effectiveness of a range of solutions.

Given the scale and complexity of freight problems and the likely cost of measures to address them, developing a robust way of testing solutions is essential. Such models are also valuable at review points by predicting whether completed and planned actions are likely to achieve the strategy's goals.

In preparing the strategy, the department modelled some potential solutions but did not rigorously test or make full use of the information provided.

The department now needs to determine how this existing modelling capability can be best used and improved to inform future freight decisions.

3.7 Improving the coverage of the freight task

Industry stakeholders considered the strategy lacked sufficient detail and emphasis on the management of light commercial vehicles, improved off-peak access to retail precincts, making it easier for heavy vehicles to use local roads in the first or last part of their journeys (last kilometre access), and moving freight around regional Victoria.

We noted some progress in regional freight planning, last kilometre access and off-peak access to retail precincts.

3.7.1 Managing regional road freight

Since the publication of the strategy, agencies have made progress by:

- completing the green triangle freight action plan for western Victoria
- completing the Gippsland freight action plan and starting work on the transport infrastructure needed to export brown coal from Gippsland
- allocating a small amount of funding for upgrading local road connections that are important for goods vehicle access.

However, the department has not decided whether and how the freight action plan model should be applied more widely across Victoria.

3.7.2 Improving last kilometre access

Last kilometre access for heavy trucks is an important part of Victoria's freight challenge. Agencies need to give this area more urgent attention and form actions and time lines for improving this in consultation with industry.

In this context, an industry peak body also put forward a \$350 000 proposal for government to fund a software tool that would help local government make informed decisions about granting access to local roads for goods vehicles. This body is unclear about the likely outcome or the process for deciding on this proposal. Agencies need to provide direction on the public sector's role and actions to improve this type of access.

3.7.3 Off-peak access to retail precincts and shops

The department has made progress in developing a best practice manual for accessing locations in built-up areas, including the use of quiet vehicle technology.

However, the peak body for road freight transport emphasised the need for stronger leadership in this area from state agencies. There are significant potential gains for companies being able to access retail precincts overnight and community benefits in moving some deliveries outside of more congested time periods.

Achieving these gains in a way that is acceptable to local councils and residents requires cooperation between businesses, local councils and state agencies. Local councils need to give businesses the chance to demonstrate that they are capable of delivering at these times in a way that does not adversely affect local residents. The industry is clear that state agency leadership is required to bring parties together to achieve this.

The department and VicRoads should investigate the feasibility of off-peak retail servicing and work with industry to pilot this and, if successful, apply it more widely.

3.7.4 Managing light commercial vehicles

There has been little progress made by agencies to improve their understanding of light commercial vehicles up to mid-2010. In early June 2010 the department issued a brief for the design of a case-study-based research project to develop a good understanding of these vehicle movements and the options for better managing them.

The department needs to document an initial plan for developing this area, including being clear about the scope, objectives, outcomes, stakeholder consultation, tasks and estimated time lines and resources.

Recommendations

1. The Department of Transport should publish information that explains the strategy's priorities, how actions are linked, and the time lines for their completion.
2. The Department of Transport should develop, as a high priority, indicators that adequately describe progress in achieving the strategy's actions and delivering on the intended outcomes.
3. The Department of Transport should regularly report to the community on the strategy's progress, outcomes, forecast impacts and any changes to the strategy's content and priorities.
4. The Department of Transport should form clear plans for addressing the strategy's information gaps and the issues about last kilometre access for heavy goods vehicles, off-peak access to retail precincts and the management of light commercial vehicles.
5. The Department of Transport, VicRoads and the Department of Planning and Community Development should improve the quality of project plans across all of the actions in the strategy to reflect the better practice requirements of the Department of Transport's Project Management Framework.

Appendix A.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Transport, VicRoads, and the Department of Planning and Community Development with a request for submissions or comments.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by the Secretary, Department of Transport



Department of Transport

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Our Ref: DOC/10/415651
File: FOL/10/49697

Mr D D R Pearson
Auditor-General
Victorian Auditor General's Office
Level 24 / 35 Collins St
MELBOURNE VIC 3000

Dear Mr ^{Des} Pearson

PROPOSED AUDIT REPORT-MANAGEMENT OF THE FREIGHT NETWORK

I refer to the above-proposed report enclosed with your letter of 6 September 2010. I note the agreed changes to Figure 3C of the proposed report prior to tabling.

In addition, I accept all 5 of your recommendations.

Yours sincerely

Jim Betts

Jim Betts
Secretary

20 / 9 / 2010

*One again, congratulations to you and
your team on a highly professional
audit.*



RESPONSE provided by the Chief Executive, VicRoads



Please Quote: VRPC002216
(File No. PC007774)

Mr Des Pearson
Auditor General
Victorian Auditor - General's Office
Level 24
35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

AUDIT ACT 1994 - MANAGEMENT OF THE FREIGHT NETWORK

I refer to your letter dated 6 September 2010, regarding the proposed Audit Report on Management of the Freight Network and your invitation to provide further comment.

VicRoads provided a response to the preliminary draft report in a letter dated 31 August 2010. In that response we advised that the report accurately and fairly reflected the strengths and weaknesses of the Strategy, implementation progress and opportunities for further work. We also noted that the content relevant to VicRoads was generally accurate and that the issues raised and their context was fair.

Thank you for the opportunity to review and provide further input to the proposed report. It is noted that the suggestions in our original response have largely been addressed.

My previous response acknowledged the need for better and more consistent project planning of actions under the Strategy, but the Project Management Framework should be the one used by the delivery agency rather than the DOT Framework. No change to the report has been made in this regard, but I note the VAGO comments in the response resolution schedule that there was no intention to prescribe the replacement of existing frameworks with the DOT Project Management Framework.

The report amendments and resolution comments as drafted satisfy our input to the report, and as such there is no need for any comments to be included in the report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Liddle', written over a horizontal line.

GARY LIDDLE
CHIEF EXECUTIVE

20/9/2010

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**RESPONSE provided by the Acting Secretary, Department of Planning and
Community Development**



Department of Planning and Community Development

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Mr Des Pearson
Auditor-General
Victorian Auditor-Generals' Office
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MELBOURNE VIC 3000

Dear Mr Pearson

PERFORMANCE AUDIT MANAGEMENT OF THE FREIGHT NETWORK

Thank you for your letter dated 6 September 2010 providing a copy of your proposed report on *Management of the Freight Network*.

Pursuant to the *Audit Act 1994* section 16(3), I am pleased to confirm my acceptance of the conclusions and recommendations in the proposed report relating to the Department of Planning and Community Development.

I would like to thank you for the progressive briefings you have made available to Mr John Ginivan, Executive Director Planning Policy, as the Department's audit contact officer.

Yours sincerely

**Prue Digby
ACTING SECRETARY**

10.9.10



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