Submission No 16

INLAND RAIL PROJECT AND REGIONAL NSW

Organisation: NSW Ports

Date Received: 4 February 2021

NSWPorts

NSW Ports Submission

Inquiry into the Inland Rail Project and regional New South Wales

February 2021

Executive Summary

At NSW Ports, our focus is managing the key trade gateways connecting the people and businesses of NSW and Australia to global markets. In order to increase the economic development opportunities NSW Ports advocates for the Inland Rail project to include a focus on connections to the existing NSW freight rail network which will connect regional NSW to the global gateways of Port Botany and Port Kembla.

Inland Rail has the potential to be far more than just a Brisbane to Melbourne link - it can be part of a broader network solution with wider economic opportunities presented to regional exporters. NSW Ports through this submission contends that with relatively modest improvements in connectivity of the Inland Rail to the existing NSW rail network, the opportunities of Inland Rail will be increased through new and improved rail access opportunities for exporters in the regions to the international trade gateways of Port Botany or Port Kembla. Conversely it would be 'false economy' to invest in the development of the Inland Rail and not optimise its connectivity with the existing NSW network for the benefit of regional NSW.

Most significantly, appropriate Inland Rail connections to the NSW rail network will provide greater supply chain options to regional exporters and will enable economic development along the corridor and its wider catchment area.

The Inland Rail project provides a significant opportunity to include improved connections to the existing rail network, most significantly at the following junctions:

- Junee
- Stockinbingal
- Parkes
- Narromine
- Gilgandra (Curban)

These points of intersection are of crucial importance and represent the areas where Inland Rail can provide the most benefit to regional exporters.

NSW Ports supports investment in freight rail infrastructure and urges the State Government to consider Inland Rail connectivity enhancements to provide even greater regional benefits.

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1. Introduction

NSW Ports is responsible for managing the port and freight assets of Port Botany, Port Kembla, the Cooks River Intermodal Terminal and the Enfield Intermodal Logistics Centre.

At NSW Ports, our focus is managing the key trade gateways connecting the people and businesses of NSW and Australia to global markets. Our business is a significant contributor to the economies of NSW and Australia.

Our role is to:

- Strategically plan for future trade and infrastructure requirements.
- Develop and maintain key port infrastructure.
- Promote opportunities to optimise port operations and associated supply chains.
- Manage safety, security and operations at common user facilities.
- Manage land leases and licences held by tenants.
- Engage with government, business and the community.

The optimisation of port operations and associated supply chains is vital, not only for NSW Ports, but for the NSW and Australian economy more broadly.

Rail is a critical component of the supply chain and any increases in the amount of freight moved by rail to and from our assets provides significant improvements to the overall efficiency of our supply chain. Accordingly, the growth of rail transport to and from ports is a key initiative for NSW Ports supporting our sustainable growth objective.

Increasing the movement of containers by rail to and from Port Botany and bulk product to and from Port Kembla will assist the two Ports in maximising their throughput capacity. In this way, trade growth can be accommodated in a cost-effective, efficient and sustainable manner.

Maximising rail access opportunities to regional NSW provides a multitude of opportunities for exporters in the regions to utilise their closest international trade gateways of Port Botany or Port Kembla.

It is also important to the supply chain that empty containers be sent to regional areas for use in export. This makes rail connections between Port Botany and regional areas vital for the overall supply chain.

To this end, NSW Ports advocates for the Inland Rail project to include a focus on connections to the existing NSW freight rail network and the global gateways of Port Botany and Port Kembla. The funding of freight rail in Australia is welcomed, and Inland Rail provides an opportunity to provide improvements to regional exporters in accessing all east coast ports. NSW Ports contends that Inland Rail should be more than just a Brisbane to Melbourne link and should be part of a broader network solution with wider economic opportunities presented to regional exporters.

To maximise the network benefits flowing from the Inland Rail investment, it is critical that the project includes effective operational connectivity between the main Inland Rail alignment and the various ARTC and Country Regional Rail lines in NSW with which it intersects. Rail freight operators should have the flexibility to run

services utilising the Inland Rail alignment as well as the connecting lines within NSW in order to optimise their service configuration and service offering to customers.

Conversely, it would be 'false economy' to invest in the Inland Rail alignment passing through several highly productive regions of NSW and not take the opportunity to optimise the connection of those regions to domestic and export markets via the enhanced rail network.

2. Inland Rail

The primary aim of the Inland Rail project is to meet the projected increase in the Melbourne-Brisbane land freight task by providing additional freight capacity.

However, Inland Rail also has the capability to bring an increased benefit in supply chain efficiencies to regional exporters across NSW. It could potentially provide an increase in transport options to exporters and could leverage off the existing rail network to provide wider benefits.

These benefits will be realised with targeted investment and more flexible capital works projects to deliver a truly integrated Inland Rail solution.

The Programme Business Case for Inland Rail states:

> *"Inland Rail will assist in maximising returns from previous and future investments by Government and the private sector including… Expansion of Port Botany and investment in the Southern Sydney Freight Line connecting Macarthur, Moorebank and Port Botany"*[1]

Further, one of the Objectives of Inland Rail is to act as an enabler for regional economic development along the Inland Rail corridor[2].

NSW Ports through this submission contends that with relatively modest improvements in connectivity of the Inland Rail to the existing NSW rail network, these Objectives of Inland Rail can be realised. Most significantly, these connections will provide greater supply chain options to regional exporters and will enable economic development along the corridor and its wider catchment area. The Inland Rail project provides a significant opportunity to include improved connections to the existing NSW rail network.

[1] ARTC, *Inland Rail Programme Business Case*, pg.65, 2015.

[2] ARTC, *Inland Rail Programme Business Case*, pg.66, 2015.

3. Regional Exports

Agricultural land in NSW occupies 647,900 square kilometres, or around 81 per cent of the state[3]. Figure 1 below provides a land use map of agricultural uses in NSW.

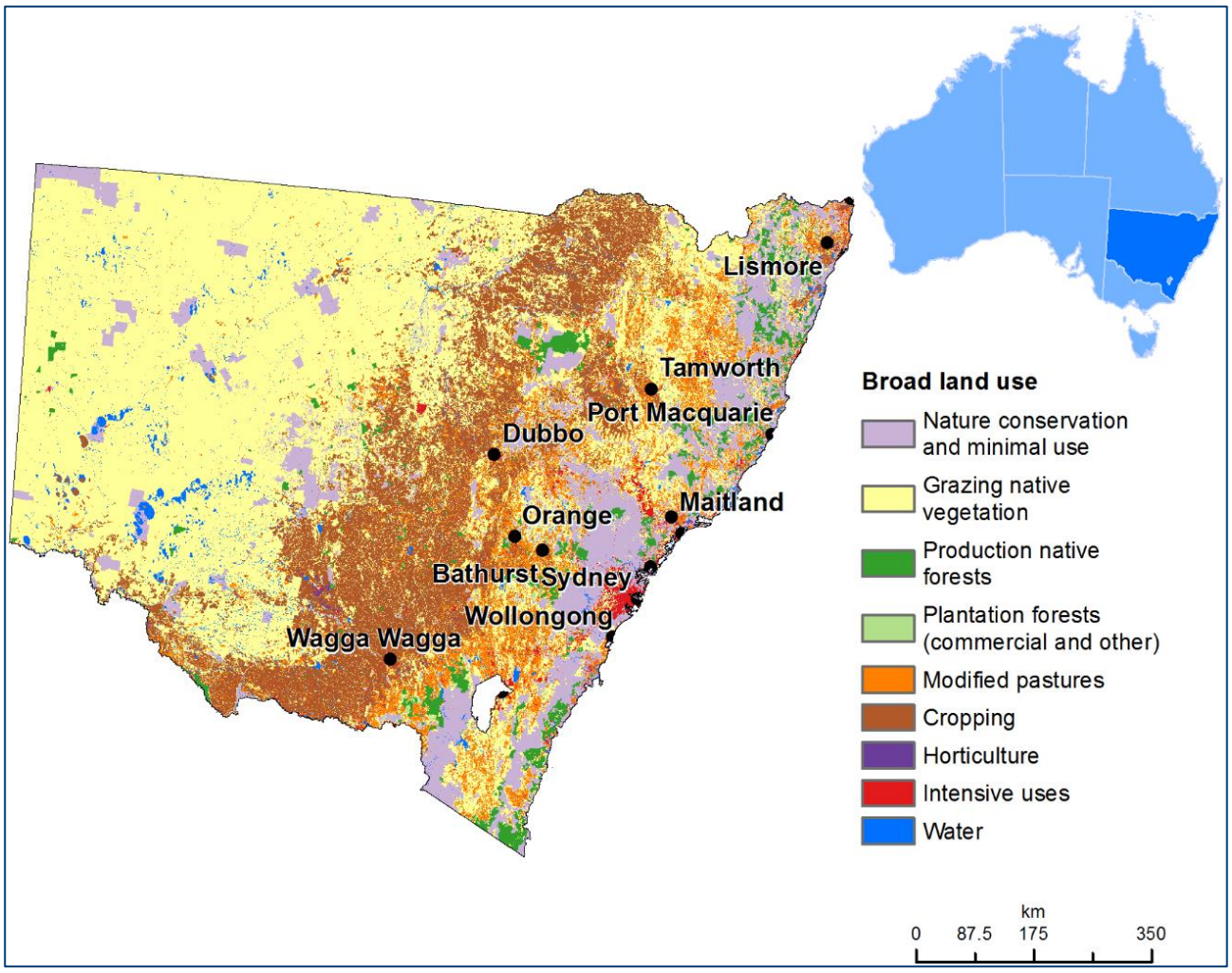


Figure 1 - Catchment Scale Land Use of NSW

Most of the land dedicated to production forests, modified pastures, cropping and horticulture is situated within the Riverina Murray, the Central West and Orana, and the New England North West regions (see Figure 2). These are key regional production areas.

[3] Australian Government – Department of Agriculture ABARES, *Catchment scale land use of Australia*, 2018

Figure 2 - NSW Government Regional Boundaries[4] and approximate Inland Rail Alignment (blue line)

In value terms, around two-thirds of Australian agricultural production is exported[5] and in 2017–18 represented 19% of total merchandise exports[6]. The combined value of the agricultural commodities produced in New England North West, Central West and Orana, and the Riverina Murray is estimated at $4.8 billion[7]. Providing the regional production areas with increased connectivity to the existing NSW freight rail network will provide economic benefits to these production areas realised through increased access to ports. Increased connectivity will also assist in meeting the growing freight task for regional exports. By way of example, Figure 3 below provides an indication of the predicted increase in freight (including containerised freight) in the Central West and Orana Region to 2031.

[4] NSW Government, A 20-Year Economic Vision for Regional NSW, pg.6 (2018)

[5] Australian Government – Department of Agriculture ABARES, Agricultural commodities: December quarter 2018 (2018)

[6] Australian Bureau Statistics (ABS), *Balance of payments September quarter* (2018)

[7] NSW Department of Planning, Infrastructure and Environment, New England North West Regional Plan 2036 (2017), Central West and Orana Regional Plan 2036 (2017), Riverina Murray Regional Plan 2036 (2017)

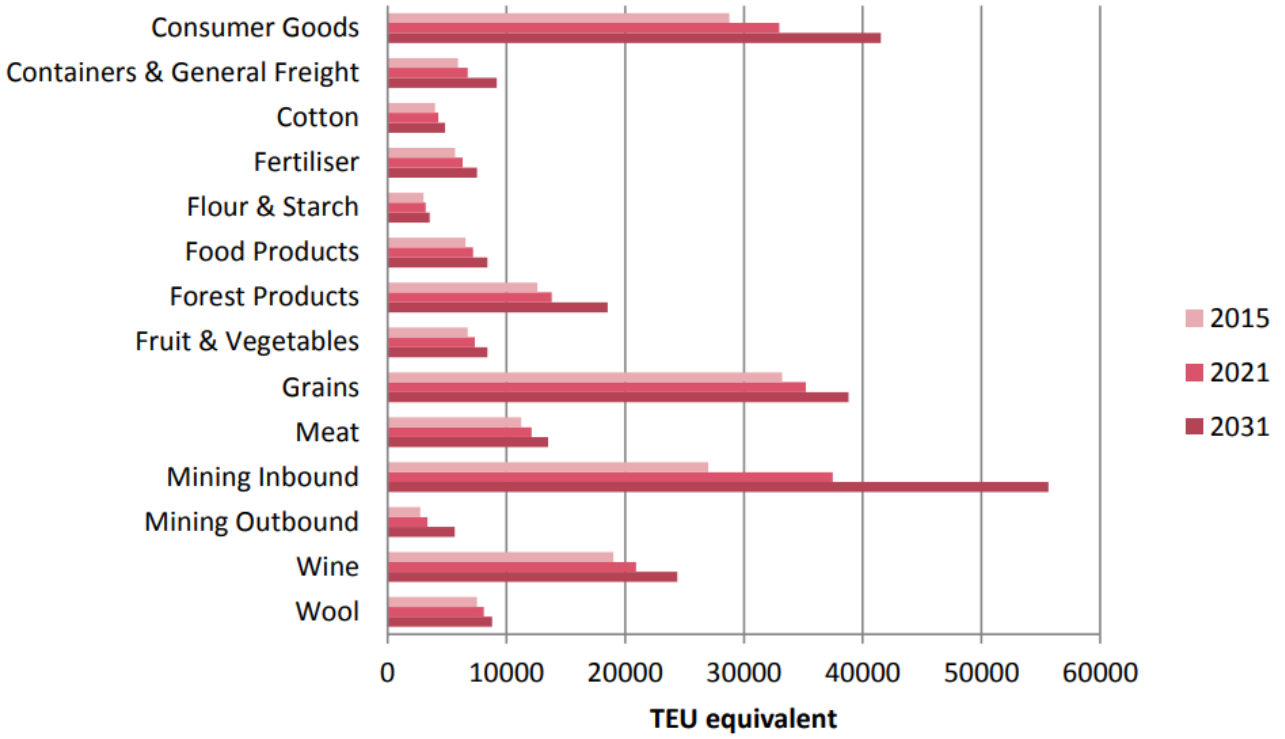


Figure 3 - Projected Containerised Freight Growth in Central West and Orana to 2031[8]

Improvements to land-side costs will increase the overall global competitiveness of exports from regional NSW. Road transport accounts for ~90% of all freight movements to and from Australian ports – with the balance being transported by rail[9].

Truck costs per TEU represent a significant and growing component of the export supply chain (increasing from 12% of total supply chain costs to 18% between 2000 and 2018[10]). In an increasingly globalised market, minimising these land-side costs is fundamental in improving Australia's global competitiveness and could open up new export markets for Australian businesses to benefit from. An example of innovation in reducing these land-side costs is the emergence of intermodal hubs around NSW. These hubs serve to minimise singular truck movements to the port by consolidating freight initially and then railing the aggregated volume to the port. This ability to transport greater volume per trip improves utilisation of the fixed train costs and can therefore significantly lower the transport cost per TEU, creating a knock-off on effect to the all-in export price.

As Inland Rail traverses the Riverina Murray, the Central West and Orana, and the New England North West regions, connectivity to the existing NSW freight rail network will provide increased global competitiveness benefits to regional exporters now and in to the future through improvements to land-side transport costs and potentially expand the export opportunities for regional businesses.

[8] Transport for NSW, *Containerised cargo demand assessment: Central West NSW* (2015)

[9] Australian Competition and Consumer Commission, *Container Stevedoring Monitoring Report 2018-19* (2019)

[10] NSW Ports analysis of historical freight costs (China - Australia case study)

This submission therefore provides a focus on several key points of intersection with the existing NSW freight network which would provide increased connectivity allowing for more competitive rail access to ports, as well as providing increased resilience in the freight rail network.

4. Connections with the Existing Rail Network

The existing freight rail network in NSW is extensive and focuses largely on east-west connections with the existing trade gateways at Port Kembla, Port Botany, and the Port of Newcastle. Inland Rail provides a new north-south freight rail solution for east coast trade in Australia. In doing so, it intersects at key junctions with the existing NSW network, including at:

- Junee (Riverina Murray);
- Stockinbingal (Riverina Murray);
- Parkes (Central West and Orana);
- Narromine (Central West and Orana); and
- Gilgandra (Central West and Orana).

These points of intersection are of crucial importance and represent the areas where Inland Rail can provide the most benefit to regional exporters in NSW. They also represent areas that will become key junctions within significant agricultural areas.

In some locations, connectivity to Inland Rail will provide regional exporters with additional trade gateway access options which will result in economic benefits as a result of stronger competition.

4.1. Junee

Junee is positioned at a vital junction between the Inland Rail and the western extents of the Riverina Murray region.

The Inland Rail project could deliver significant improvements at this junction by the reinstatement of the north fork of the triangle in Junee (see Figure 4 below). This would enable trains to head north off the branch line on to the Inland Rail line and to ports in New South Wales. This would be in contrast to current arrangements for northbound movements having to go in to Junee for the locomotive to then 'run around', delivering time savings of up to two hours and efficiency improvements by keeping these staging movements off the main Inland Rail line and out of the town centre.

The construction (reinstatement) of the north fork of the Junee Triangle would deliver benefits through economic opportunity and resilience to communities across the Riverina Murray Region as far west of Junee as Hay, north-west of Junee as far as Hillston, and south-west of Junee as far as Tocumwal. Savings of up to two hours would be experienced for bulk grain exports destined to Port Kembla and container exports destined for Port Botany. The efficiency of the line would improve as it would remove the need for staging movements that currently occur for north bound trains and would increase amenity for Junee as these staging movements currently occur in the town centre.

NSW Ports understands that funding for the design and planning of the reinstatement of the north fork of the triangle has been allocated. The construction of this project immediately following the design and planning process would result in immediate productivity and efficiency benefits for the region.

Figure 4 - Existing Lines at Junee (shown in blue) and the Proposed North Fork of the Junee Triangle (shown in red)

4.2. Stockinbingal

The Inland Rail is proposed to intersect with the existing ARTC and Country Regional networks to the west of Stockinbingal in the Riverina Murray region. The new connection that Inland Rail will provide from Stockinbingal to Junee provides a distance saving of approximately 30km and will avoid the Bethungra Spiral. This new connection has the ability to provide wider benefits beyond the north-south route.

There is an opportunity to provide significant efficiencies in this region and connections east-west to Port Kembla and Port Botany. Through the provision of a connection between the new line from Illabo to the existing line to the east (see Figure 5 below) as well as a new line from Yeo Yeo to Morrisons Hill in the future, bypassing Cootamundra (see Figure 6 below) and the Bethungra Spiral, significant time savings would be achieved for connections to and from key production areas of the Riverina. Such an upgrade would provide areas like Griffith, Wagga Wagga, Junee, Hay, and Narrandera with improved access to Ports, increasing supply chain efficiency and productivity.

Importantly, this connection would provide increased resilience in existing infrastructure, mitigating the impacts to the region should an incident occur on another line providing farmers access to east coast ports.

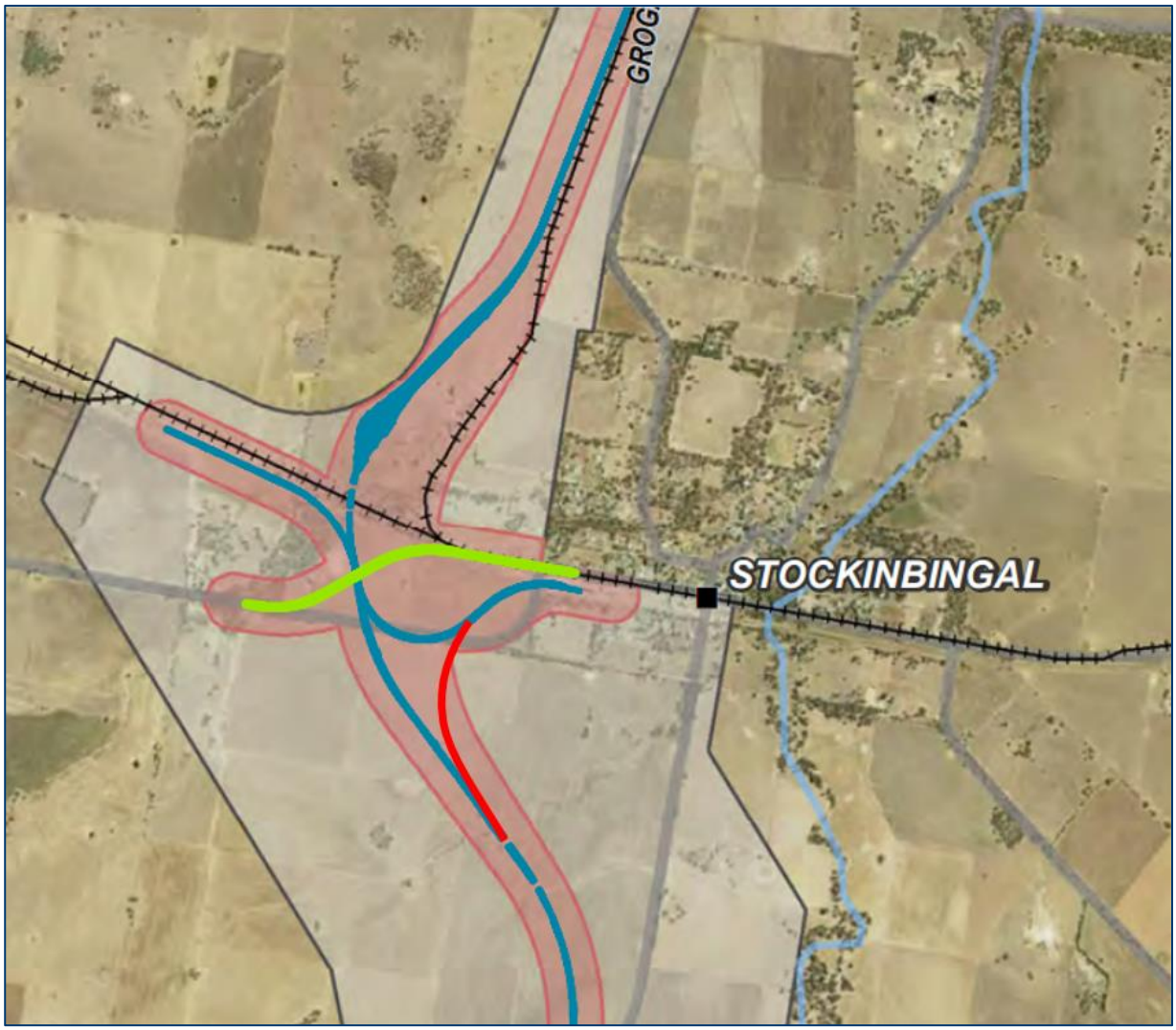


Figure 5 - South to East Connection Proposal at Stockinbingal (proposed connection shown in red, proposed Inland Rail alignment in blue, green indicates the realignment of the existing road)

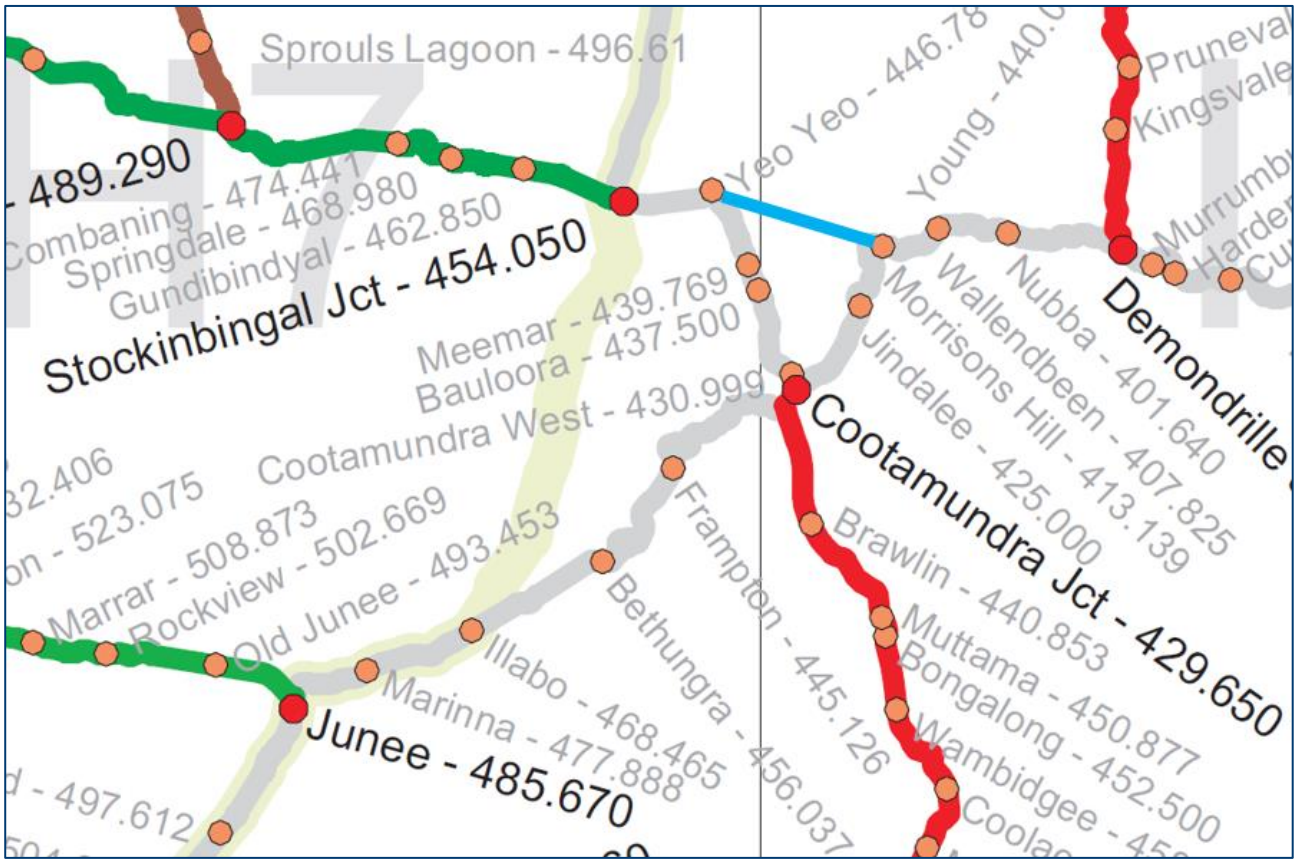


Figure 6 - Yeo Yeo to Morrisons Hill Potential Connection (shown in blue)

4.3. Parkes

The intersection with Parkes will be a key junction in the Inland Rail Network as the point where it meets the main east-west corridor in the Central West and Orana region.

NSW Ports supports the proposed east-west connections at Parkes. Combined with the proposed Special Activation Precinct, the 'triangle' that will be formed to the west of Parkes (see Figure 7 below) will become a key hub and connection point to Port Botany and Port Kembla. This will provide direct benefits to regional exporters of the Central West of NSW.

Figure 7 - Proposed Inland Rail Connections to the existing east-west line at Parkes

4.4. Narromine

The Inland Rail is proposed to intersect with the existing ARTC and Country Regional networks at Narromine in the Central West and Orana region. The connection between the Inland Rail line and the existing line to Parkes is proposed to bypass and occur to the south of Narromine.

A connection from the new line towards Narromine (see Figure 8 below) will provide connectivity from the Inland Rail corridor to the north to NSW's east coast ports providing improvements to efficiency and resilience.

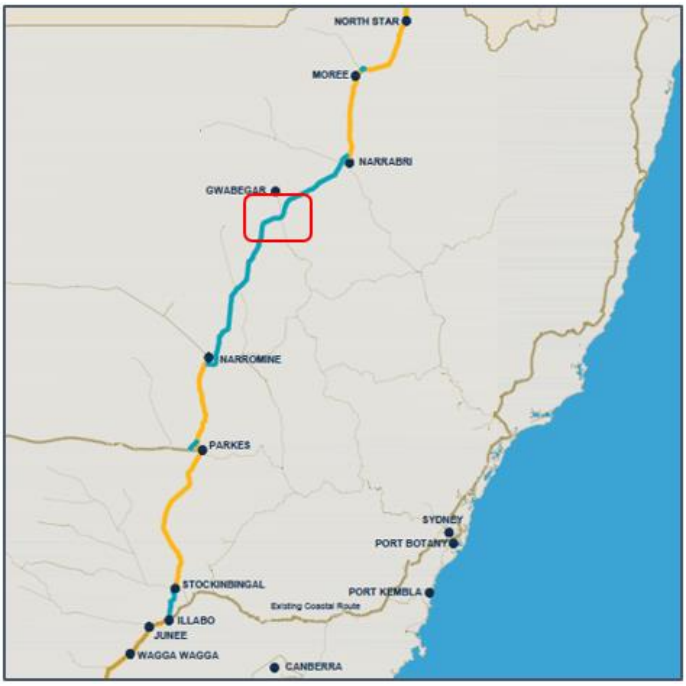
This connection will be of increased value and importance with a west to south connection at Gilgandra (Curban) (see Section 4.5)

Figure 8 - Inland Rail Study Area at Narromine (suggested east-north connection shown in red)

4.5. Gilgandra (Curban)

The Inland Rail is proposed to intersect with the existing Country Regional Network (the Dubbo to Coonamble Line) to the north of Gilgandra between Curban and Armatree in the Central West and Orana region.

There is a key benefit in providing a connection from Coonamble to the west on the Inland Rail to the south toward Narromine (as shown on Figure 9, below). This connection would provide exporters with access to Inland Rail which has a 25 tonne axle load (TAL) compared to the existing route with only 19 TAL. This provides efficiencies for exports from the region by allowing for higher productivity trains.



There is an opportunity to provide a connection from Gwabegar in the north to Gilgandra to the east. This would provide more efficient access for areas in the north of NSW to the key container export gateway of Port Botany via the Main West Line via Gilgandra, Dubbo, and Blayney. It would also provide an alternative port access for bulk cargo exports from this region via Port Kembla.

This connection would also provide an increase in the resilience of the rail network by providing alternate rail routes allowing cargo to still reach its destination should one rail line be temporarily impacted (i.e. through natural disasters, rail incidents, maintenance works etc.).

Figure 9 - Intersection between the Inland Rail Study Area and existing line near Curban (suggested connection shown in red)

5. Alignment with Strategic Plans

5.1. NSW Freight and Ports Plan 2018-2023

The NSW Freight and Ports Plan 2018-2023 (the Freight and Ports Plan) is a call to action for government and industry to collaborate on clear initiatives and targets to make the NSW freight task more efficient and safe so NSW can continue to move and grow.

The Freight and Ports Plan identifies that:

> *Investment in improved east-west rail freight networks and connectivity with NSW ports will be critical for maximising the benefits of Inland Rail for NSW.*[11]

In order to meet this challenge, the Freight and Ports Plan identifies that the NSW Government will support the delivery of Inland Rail and will:

> *ensure the project optimises the movement of freight in regional NSW, and to ports and gateways*[12]

Ensuring connections that provide the most flexibility, access, and resilience would meet the actions identified above. The provision of connectivity enhancements between the NSW rail network and the Inland Rail project is consistent with and would support the objectives of the Freight and Ports Plan.

5.2. State Infrastructure Strategy 2018-2038

The State Infrastructure Strategy (SIS) is a 20-year infrastructure investment plan for the NSW Government that places strategic fit and economic merit at the centre of investment decisions. The strategy assesses infrastructure problems and solutions, and provides recommendations to best grow the State's economy, enhance productivity and improve living standards for our NSW community. It is updated every five years.

The 2018 SIS considers the infrastructure needs of cities and regions based on their unique characteristics and the likely impact of combined investments across sectoral boundaries.

The SIS identifies that Regional NSW will only achieve its full potential through strengthening growing regions with new jobs by providing connections to and from Inland Rail[13].

[11] Transport for NSW, *NSW Freight and Ports Plan 2018-2023*, pg.43 (2018)

[12] Transport for NSW, *NSW Freight and Ports Plan 2018-2023*, pg.61 (2018)

[13] Infrastructure NSW, *State Infrastructure Strategy 2018-2038*, pg.12 (2018)

5.3. National Freight and Supply Chain Strategy

The *National Freight and Supply Chain Strategy* (the Strategy) and *National Action Plan* provide the platform to position Australia to meet its freight future. Through the Strategy and Action Plan, all jurisdictions have come together and committed to future freight outcomes with supporting actions. For the first time Australia is taking a coordinated national approach to freight covering all modes[14].

The Strategy identifies that national action is required across four critical areas:

- Smarter and targeted infrastructure investment
- Enable improved supply chain efficiency
- Better planning, coordination and regulation
- Better freight location and performance data

Through smarter and targeted infrastructure investment, the Inland Rail project has the opportunity to provide an increase in opportunities in regional NSW.

The Strategy identifies that any freight-related infrastructure investment needs to support economic growth and needs to ensure that freight is moved in the most efficient and effective manner. Investing in connectivity of the NSW rail network to Inland Rail has the ability to contribute to the identified Actions to achieve smarter and targeted infrastructure investment within the Strategy.

Action 1.1 of the Strategy states:

> *Action 1.1: Ensure that domestic and international supply chains are serviced by resilient and efficient key freight corridors, precincts and assets.* [15]

NSW is serviced by multiple heavy rail corridors, particularly in the east-west direction. The integration of the Inland Rail corridor with these existing corridors will result in improved supply chain efficiencies through faster movement of goods, an increase in options for exporters, as well as an increase in the resilience of the network by providing other routes should a rail line be temporarily unavailable.

Action 1.2 of the Strategy states:

> *Action 1.2: Provide regional and remote Australia with infrastructure capable of connecting regions and communities to major gateways, through land links, regional airports or coastal shipping.* [16]

Connecting regional NSW to major port gateways is pivotal for economic development of these regions. With the progression of the Inland Rail project, there is an opportunity to provide targeted infrastructure investment that leverages off the identified investment. Connections to the existing NSW rail network, and particularly east-west connections to the Inland Rail as discussed in this submission, provide targeted infrastructure investment that contributes to Australia meeting the above-mentioned Actions.

[14] Transport and Infrastructure Council, *National Freight and Supply Chain Strategy*, pg.5 (2019)

[15] Transport and Infrastructure Council, *National Freight and Supply Chain Strategy*, pg.20 (2019)

[16] Transport and Infrastructure Council, *National Freight and Supply Chain Strategy*, pg.20 (2019)

6. Conclusion

Rail is a critical component of the supply chain and any increases in the amount of freight moved by rail provides significant improvements to the overall efficiency of our supply chain. Accordingly, the growth of rail transport to and from ports is a key initiative for NSW Ports supporting sustainable trade growth for NSW.

NSW Ports advocates for the Inland Rail project to include a focus on connections to the existing NSW freight rail network, which ultimately connects the regions to the global port gateways of NSW.

Inland Rail should be part of a broader network solution with wider economic opportunities presented to regional exporters.

To maximise the network benefits flowing from the Inland Rail investment, it is critical that the project includes effective operational connectivity between the main Inland Rail alignment and the various ARTC and Country Regional Rail lines in NSW with which it intersects. Rail freight operators should have the flexibility to run services utilising the Inland Rail alignment as well as the connecting lines within NSW in order to optimise their service configuration and service offering to customers.

Conversely, it would be 'false economy' to invest in the Inland Rail alignment passing through several highly productive regions and not take the opportunity to optimise the connection of those regions to domestic and export markets via the enhanced rail network.

NSW Ports supports investment in freight rail infrastructure and urges the NSW Government to investigate and fund Inland Rail connectivity enhancements to the NSW rail network to provide even greater regional benefits.

Further information

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