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INLAND RAIL PROJECT AND REGIONAL NSW

Organisation: Freight on Rail Group (FORG) of Australia

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FREIGHT ON RAIL GROUP

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This document has been prepared by the Freight on Rail Group (FORG) of Australia. FORG is a rail freight focussed industry group established to engage with government and key stakeholders on major public policy issues. It consists of the nine major rail freight businesses in Australia:

Aurizon
Aurizon transports Australian commodities connecting miners, primary producers and industry with international and domestic markets. It provides customers with integrated freight and logistics solutions across an extensive rail and road network, traversing Australia.

Australian Rail Track Corporation (ARTC)
ARTC has responsibility for the management of over 8,500 route kilometres of standard gauge interstate track across Australia. ARTC also manages the Hunter Valley coal rail network, and other regional rail links.

Arc Infrastructure
Arc Infrastructure manages and operates a 5,500-kilometre open access, multi-user rail freight network extending throughout the southern half of Western Australia, providing access for intermodal, iron ore, grain, alumina and various other bulk commodities.

OneRail Australia
OneRail Australia is a global vertically integrated rail freight company with a large Australian presence in SA, NT, Victoria and NSW. It owns nearly 5,000 kilometres of track in SA and NT, including the 2,200-km Tarcoola-to-Darwin railway.

Pacific National
Pacific National is one of the largest providers of rail freight services in Australia, providing intermodal, coal and bulk rail haulage services throughout Australia.

Qube
Qube is Australia's largest integrated provider of import and export logistics services. It offers a broad range of logistics services with a national footprint and a primary focus on markets involved in international trade in both the bulk and container markets.

SCT Logistics
SCT is a national, multi-modal transport and logistics company. It operates its own intermodal rail services from the eastern States to Perth, while also providing bulk rail haulage services. It has facilities in Brisbane, Sydney, Parkes, Melbourne, Adelaide and Perth.

Watco Australia
WatCo is a rail haulage operator, hauling a variety of agricultural products in Western Australia and Queensland.

Southern Shorthaul Railroad (SSR)
SSR is an Australian rail freight services operator in New South Wales and Victoria. SSR also provide workshop services such as rolling stock manufacturing and wagon and locomotive maintenance.

Introduction

The Freight on Rail Group (FORG) of Australia welcomes the opportunity to provide a submission to the NSW parliamentary *Inquiry into the Inland Rail project and regional NSW*.

FORG was established in August 2015 to engage with governments and key stakeholders on major public policy issues. FORG aims to contribute to a policy and regulatory environment that enables the development and operation of an efficient and commercially sustainable rail freight transport sector.

FORG represents nine of Australia's largest rail freight operators and infrastructure owners / managers which contribute more than $11 billion to Australia's economy each year, employ almost 20,000 people (many based in the regions), operate over 1,600 freight locomotives and 34,000 rolling stock, and manage 23,000 kilometres of rail track.

The members of FORG have extensive experience in issues associated with a broad scope of infrastructure, transport and supply chain matters.

Our members see a need for there to be a renewed focus on increasing rail freight productivity.

Inland Rail is a nationally significant project that must be supported by NSW to ensure rail is able to compete against road on the interstate railway network.

Australia's rail freight sector

To be commercially viable, railways need to achieve significant economies of scale and freight density. Given Australia's low and dispersed population and vast geographic spread, the challenge for rail, in particular the non-mining networks, is achieving those economies.

Rail is suited to high volume, bulk commodities, generally over long and short distances. The nature and strengths of the industry has meant it has traditionally handled freight for heavy, high-volume products such as agricultural and mining commodities.

Within the provision of non-bulk freight services (intermodal / containerised freight), rail is generally more suited to longer haul distances.

This occurs because of the need to offset the additional handling to facilitate intermodal operations and the use of 'pick up' and 'delivery' freight movements between rail terminals and customer facilities (e.g. distribution centres, warehouses, business parks etc). It is within this segment particularly that road freight has successfully captured market share from rail over shorter distances.

This has largely been realised through the introduction of larger, high productivity vehicles (e.g. A-doubles; B-triples etc), which have been granted greater access on our regional highways and urban motorways following decades of sustained, high value road investment.

Ironically, this is happening at a time when most Australians would like to see more freight hauled by trains to help improve road safety, reduce traffic congestion and lower vehicle emissions.

Government encouraging and supporting private sector investment in urban intermodal freight terminals and hubs (e.g. Qube's Moorebank Logistics Park, Pacific National's St Marys Freight Hub etc) is critical to helping shift containerised/palletised freight volumes

back to rail (as opposed to an exponential increase in truck movements on new tolled roads like WestConnex).

NSW plans & priorities

The Inland Rail project strongly aligns with the NSW Freight and Ports Plan 2018-2023 and Future Transport Strategy 2056.

Inland Rail is a key component in supporting state priorities for safe and efficient transport and freight infrastructure, not to mention future economic growth; including in regional NSW.

It also helps to underpin the state's growing freight task as the population increases and the economy grows.

An increase in shipping container volumes and bulk freight volumes will flow through to rail networks and the broader transport system, putting pressure on track usage and road links.

Meeting future demand can only be achieved if there are long-term planning and policy measures in place that encourage innovation, co-operation and efficiency. Equally, rail needs to be able to compete on a level policy playing field against other transport modes.

FORG believes Inland Rail meets this freight task head-on by improving rail's service offering, addressing the key challenges for rail operations on the north-south rail corridor. It will decrease transit times and improve reliability.

The project has led to an increased focus on the location and design of terminals, including the integration of rail freight and logistics freight terminals and hubs, and a prioritisation of land and corridor reservation.

The NSW Government's development of Special Activation Precincts (SAPs) provides a good model for planning commercial and economic opportunities created by Inland Rail. Members of FORG have used the SAP to develop much needed terminals in the area around Inland Rail (e.g. Pacific National's Parkes Logistics Terminal) – which is discussed later in more detail.

There is also alignment with Infrastructure NSW's Infrastructure Strategy Building Momentum State Infrastructure Strategy 2018-2038. The document recognises that regional NSW needs to be supported by good transport links to key markets by leveraging Inland Rail and upgrading east-west links, and that Inland Rail contributes to strengthen growing regions with new jobs through this.

Connectivity is key – connecting NSW, Connecting the Country

Inland Rail is a significant investment in Australia's freight future supporting the national freight and supply chain strategy, and other NSW and local strategies by connecting regional supply chains to domestic and international markets.

Current north–south (Melbourne to Brisbane) freight infrastructure is constrained by both geography (old rail lines with numerous curves, an inability to take double-stacked freight trains) and a prioritisation given to passenger rail services.

This is particularly the case through the greater Sydney metropolitan area where curfews are imposed for freight trains during peak commuter hours. These infrastructure and regulatory

barriers have a negative impact on the performance and cost-competitiveness of rail freight and will continue to have a negative impact on productivity into the future.

By providing a more efficient inland route, Inland Rail will improve connectivity in both freight and passenger transport systems. For freight, it connects regional NSW to the national freight rail network. For passengers, it removes freight from the passenger network, particularly in Sydney.

The project will also be a catalyst for the transformation of the rail sector and drive further innovation. The freight logistic supply chains servicing our urban and regional areas require further investment to ensure infrastructure keeps pace with forecast increase in demand.

Safe and productive rail supply lines are critical for COVID economic recovery

Rail capacity will need to be improved, in conjunction with ongoing rail network optimisation, and adopt efficient practices and new technologies. Inland Rail sees the introduction of ARTC's Advanced Train Management System (ATMS) – train control technology which will allow industry to realise significant improvements in both safety and efficiency.

ATMS has been identified as a priority by the Australian Government, ARTC and FORG members. The NSW Government must now focus on ensuring interoperability between ATMS (to be deployed largely on regional networks) and European Train Control System (ETCS), to be deployed largely on urban passenger services.

ATMS provides powerful in-cab safety vigilance, including automatic braking, to prevent freight trains from over speeding or failing to stop when required.

This ground-breaking technology will also help unlock latent capital of existing rail freight infrastructure and rollingstock by significantly lifting productivity of future services.

To help recover from the deep economic shocks of the coronavirus pandemic, Australia must embrace and leverage new and improved technologies throughout its vast national rail supply lines, including the Inland Rail.

Countries that drive safety and productivity improvements in their national freight supply chains will win the economic race in this brave new COVID world.

Inland Rail will also provide a second link between Queensland and the southern states, making Australia's national freight rail network less vulnerable to disruptions, for example from inclement weather.

Social and environmental benefits of rail freight

The continued reliance on road for freight transport will continue to have impacts on safety, the environment and community, with associated costs to the economy.

Rail freight is a comparatively safe transport mode. Indeed, FORG would strongly argue the safest freight transport mode in the nation's vast supply chain.

The coronavirus pandemic has put into sharp focus the innate power of rail in being able to move bulk volumes of freight over large distances in a safe, efficient, and environmentally friendly manner.

For example, a single 1,800-metre interstate goods train service manned by a handful of train crews can haul up to 330 shipping containers, helping to significantly reduce the number of truck (and therefore people) movements across state borders.

Indeed, an interstate freight train service of that size/capacity is equivalent to approximately 275 B-double return truck trips across state borders.

A 2017 Deloitte Access Economics report found for every tonne of freight hauled a kilometre, rail freight produces 16 times less carbon pollution than road freight and 14 times less accident costs[1].

A 2017 federal government report found freight and passenger rail transport accounted for a mere 4 per cent of total transport sector greenhouse gas emissions. In comparison, the report found heavy vehicles in 2017 accounted for more than 20 per cent of total transport emissions in Australia, growing to almost 30 per cent by 2030[2].

Inland Rail rebalances Australia's freight future on the interstate rail networks and provides opportunities for regional NSW.

Inland Rail is a transformative project that will help support the rail freight industry by shifting freight volumes from road onto rail and help to cater for future population growth, reducing metro traffic congestion and improving road safety.

The project will see significant benefits, including supporting a reduction in traffic congestion, road accidents and fatalities (and associated costs), vehicle emissions, and truck 'wear and tear' on roads.

There are numerous factors that limit the safety and sustainability of the sector. This extends to road safety concerns, a shortfall in road user charging meeting the costs of roads and a significant shortage and decline of truck drivers. Rail can and must do more in response to Australia's freight challenge.

Investment certainty

In a globalised economy, no industry is totally immune from international competition, be it a domestic industry competing with imports or an export industry competing in the global marketplace.

In this context, access to an efficient and effective freight transport system underpins Australia's ability to compete in global markets, allowing primary producers and businesses to reduce production costs and in turn improve competitiveness.

Inland Rail meets a key challenge the rail freight industry has faced on the north-south national rail corridor. While rail is often able to compete on long-distance road corridors, on the Melbourne to Brisbane corridor this has been a challenge.

[1] Value of Rail. The contribution of rail in Australia. A report commissioned by the Australasian Railway Association (ARA). November 2017. Deloitte Access Economics.
[2] Australia's emissions projections 2017. Table 7: Emissions by sector (Mt CO_2-e). Australian Government. Department of the Environment and Energy. December 2017.

Rail has suffered from an indirect route that makes it less productive and less competitive, despite a lower cost relative to road.

For an industry which competes on a time basis (increasing competitiveness as transit times are reduced, including to cater for 'just in time deliveries'), efforts by states need to be focused on how to assist Inland Rail to achieve this efficiency.

Reducing costs will make rail a preferable option, especially on time sensitive contestable freight. It is also why factors such as Inland Rail's lower transit time and the heightened customer service offering ('delivery in full on time') are so critical.

Economic enabler – regional development and activity generator

Inland Rail is of significant importance to Australia's economy. Key benefits include:

- creating more than $18 billion gross domestic product (GDP) over the next 50 years;
- creation up to 21,500 jobs at its peak;
- elimination of around 200,000 truck movements and 15 serious crashes on roads each year;
- cut carbon emissions by 750,000 tonnes per year from 2050; and
- reduction in supply chain costs - rail costs for inter-capital freight travelling between Melbourne and Brisbane will be reduced by $10 per tonne.

Investments by FORG members like Pacific National's $35 million Parkes Logistics Terminal (inland regional Australia's largest freight terminal) and ongoing investment by FORG members in rolling stock (locomotives and wagons) has led to new regional jobs and a catalyst for supporting local economies and hundreds of new jobs for the sector.

At a time when government, business and the community are calling for investment in productive infrastructure, Inland Rail makes good economic sense. The Reserve Bank of Australia has suggested Governments look to productive investments in transport infrastructure – and Inland Rail fulfils this criterion.

This project is an important strategic investment in NSW's infrastructure capability, providing capacity to serve the east coast freight market for the next half century and beyond. It will enhance productivity and open up new export markets and employment opportunities for areas of regional and rural NSW.

Historically, rail freight has shaped the settlement patterns of towns and cities across regional Australia – with local economic activity linked with the movement of goods.

Inland Rail will cross through rural and regional areas in NSW, and generate important employment opportunities for these communities, as well as supporting their local economies. At a time when regional communities are struggling and both jobs and economic growth are vital for sustainability, Inland Rail will be a major driver of market confidence and practical investment.

FORG understands the majority of the construction and capital expenditure in NSW will occur in regional areas.

The impact of Inland Rail will be far reaching and is expected to generate significant investment in regional NSW both during its construction phase and operation.

Inland Rail will improve the volume, efficiency and the cost of transporting products and services from regional NSW to key international trade markets. This helps ensure growth in Australia's regional exports and a reduction in costs, particularly for long-haul bulk commodities and products.

Low cost transport and logistics allows NSW exporters to remain profitable against global competitors and helps NSW manufacturers to be cost-competitive in the face of cheap imports. It also enables firms, including our member customers within NSW to compete over a larger area, bringing lower prices and greater choice to consumers.

There is also an opportunity for NSW to leverage Inland Rail to encourage new and dynamic industry sectors in regional areas – helping to diversify local economies.

Conclusion

Inland Rail is an investment in strategic infrastructure, providing capacity that will serve the NSW for the next half century and beyond. Further complementary investments of this nature are needed to not only reduce rail freight costs but also to improve service standards, as this is a key influence for customers.

FORG recommends the Inquiry focus on how best to maximise the benefits from Inland Rail and look at ways to encourage more freight on rail.

There is currently an imbalance both in policies and investments in road compared to rail despite the various benefits of rail to the state and broader Australian freight task.

Inland Rail is important not only to rail freight but to NSW and the nation as an economic enabler. It is a transformative step change for freight supply chains in NSW.


RAIL
CROSSING
WAY
STOP
LOOK
FOR
TRAINS