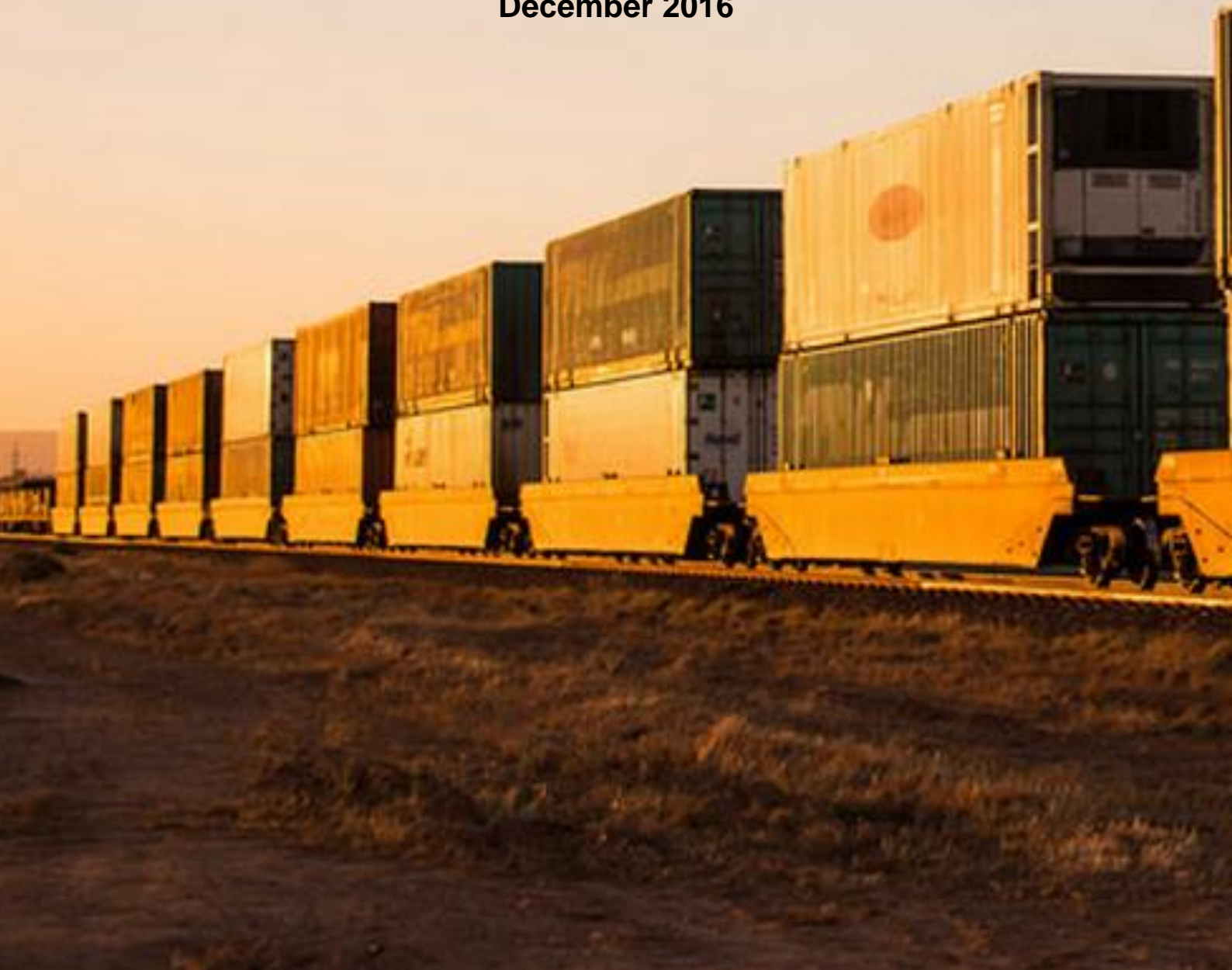


FREIGHT ON RAIL GROUP

Submission in response to:

**New South Wales Draft Climate Change Strategic Plan and
Draft Plan to Save Energy and Money**

December 2016



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

Aurizon

Aurizon has rail and road-based freight and infrastructure operations across Australia. Aurizon operates above-rail freight services from Cairns through to Perth, and manages the Central Queensland Coal Network made up of approximately 2,670km of heavy haul rail infrastructure.



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.



Brookfield Rail

Brookfield Rail 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.



Genesee & Wyoming

G&W is a global vertically integrated rail freight company with a large Australian presence in SA, NT, Victoria and NSW. G&W 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.



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Freight on Rail Group

The Freight on Rail Group (FORG) is a freight rail industry group established in August 2015 to engage with Government and key stakeholders on major public policy issues. Members of the FORG include, Australian Rail Track Corporation (ARTC), Aurizon, Brookfield Rail, Genesee & Wyoming Australia, Pacific National, Qube Holdings and SCT Logistics.

FORG's objective is to contribute to a policy and regulatory environment that enables the ongoing development and operation of an efficient, integrated and sustainable freight transport sector.

FORG is committed to engaging constructively with Governments, as well as industry and key stakeholders to ensure policy and regulatory settings enable the industry to deliver positive economic and commercial outcomes for all freight customers.

FORG works to address the challenges and opportunities facing the freight transport sector as a whole, with a particular focus on rail freight and its customers.

The members of FORG have extensive experience in transport and the supply chain, in particular on modal shift and energy reduction initiatives, which are addressed in this submission.

Introduction

This submission has been prepared by the FORG in response to the New South Wales draft Climate Change Fund Strategic Plan and the draft plan to Save Energy and Money (the Draft Plans), released in 2016 as part of the Government's NSW Climate Change Policy Framework. This framework commits NSW to the aspirational objectives of achieving net-zero emissions by 2050 and helping NSW to become more resilient to a changing climate.

FORG appreciates the opportunity to provide a response to the Draft Plans. FORG is supportive of the Government investigating ways that the State can work in partnership with industry to address climate change and minimise the impact to sectors that are large energy users.

FORG is generally supportive of the strategic objective to achieve net-zero emissions by 2050 for the NSW economy and considers that the role of the freight rail industry in supporting this target, particularly in the context of shifting freight from road transport to rail transport, should be considered.

This submission is drafted from the perspective of members and includes a section on the freight rail industry and some a background on the benefits of the industry, in terms of environment and energy impacts.

This submission provides specific responses to the three priority areas which the Draft Plans focus on: accelerating advanced energy, national leadership in energy efficiency, and preparing for a changing climate.

FORG recommends that the Climate Change Fund could:

- 1) extend its scope (for example, to include projects aimed at clean energy generation, utilisation and storage in the transport sector).
- 2) develop an assessment criteria and funding procedures to allow non-energy organisations (for example rail track providers and train operators) to seek project

support and funding. That is the eligibility requirements should be sufficiently accessible to allow both the freight rail industry and its customers (including smaller businesses) to access the projects and funding initiatives.

- 3) consider the issue of transport infrastructure pricing when road and rail options for freight are being developed. Charges for freight using road and rail infrastructure are determined via different processes and as such there is not a level playing field between these two freight transport options. Road and rail infrastructure pricing should be established on a similar basis to ensure the distorted economic outcomes that currently exist are not contributing to ongoing energy inefficiencies in the freight transport sector.

Benefits of Freight Rail to NSW

Rail lines provide New South Wales with an economic and social asset, providing valuable freight transport services to the community and regions. Rail provides a number of advantages as a transport mode choice, both in terms of efficiency, safety and environmental benefit.

With regard to road infrastructure, rail use significantly reduces the number of trucks on roads and this decreases the amount of damage caused to road infrastructure, particularly as it is heavy vehicles that cause the most damage. This in turn reduces road costs to the State, particularly in terms of repair and maintenance.

Freight rail provides a relatively low carbon, energy efficient, safe alternative to road distribution. These benefits help to improve not only carbon reduction targets, given freight rail has lower environmental externalities than road, but may also lessen traffic congestion and lessen exposure to road accidents by reducing freight volumes on the road network.

It is well documented that rail has a far superior safety record when compared to road-based freight transport; with estimates that rail is up to nine times safer. This advantage in safety needs to be considered and recognised as a key benefit to communities. It is estimated that the total cost of heavy vehicle road accidents to the Australian economy is around \$3 billion every year.¹ As such, FORG believes it is important to consider the additional benefits that rail provides to the wider community and the social good that rail provides over road.

Environmentally, rail has a number of benefits over road both in terms of noise pollution and emissions. Rail is more energy efficient consuming up to 23 times less energy than road and producing up to 19 times fewer emissions. It is estimated the economic cost of premature mortality from poor air quality generated by vehicles is between \$1.1 and \$2.6 billion.² The reduction in these road externalities by rail alone helps to improve community health and support more liveable cities.

As such, **FORG believes that the strategic approach should consider the role of freight rail in moving towards a net-zero emissions by 2050.** Rail transport is more energy efficient than road transport thus resulting in lower emissions per unit of freight moved throughout metro and regional New South Wales.

¹ Australasian Railway Association (ARA), 2010, Towards 2050: National Freight Strategy, The Role of Rail, ARA.

² Bureau of Transport and Regional Economics, 2005, Health Impacts of Transport Emissions in Australia: Economic Costs Working Paper, Commonwealth of Australia p.63.

Accelerated Advanced Energy

Accelerate advanced energy technologies

With regards to attracting investment in advanced energy demonstration projects, FORG believes the Climate Change Fund could extend the scope of advanced energy projects outside of network generation to include projects aimed at clean energy generation, utilisation and storage in the transport sector.

FORG believes there are substantial opportunities for advanced energy applications in the transport sector. In particular energy productivity and utilisation should be considered, for example reducing reliance on road freight transport and increasing the use of rail transport would improve energy productivity outcomes.

As such, **FORG supports broadening the scope of “advanced energy” projects to allow non-energy network projects, such as transport projects, access to funding and support.** We believe that there is the potential for significant emission savings projects to be undertaken in the transport sector, with partnerships and cooperation by industry and government.

Accelerate the transition to a 21st century transport fleet

FORG believes the rail industry could provide the opportunity to reduce greenhouse gas emissions to achieve net-zero emissions by encouraging and supporting an incentive scheme to see more freight on rail. Active promotion, given the right level of incentive, will make the difference for rail and help support short haul rail and terminal developments. FORG would be interested in consulting on this matter further.

In considering the fuel efficiency of heavy road vehicles the policy should also consider other freight options for freight more broadly and the benefits that modal shift from road to rail provides. Specifically, FORG supports the proposal in the Draft Plan to extend the Green Truck Partnership approach to demonstrate new technologies for low-emission light vehicles and freight (road, rail and other), which would cover rail rollingstock.

Furthermore, in considering road and rail options for freight to increase energy productivity it is important to consider the issue of transport pricing. Charges for freight using road are determined differently than road and given this there is a lack of a level playing field between these two freight transport options. FORG argues that pricing should be established on a similar basis to ensure that distorted economic outcomes that currently exist are not contributing to ongoing energy inefficiencies in the freight transport sector.

Furthermore, in order for this to be effective it is recommended that for projects focused on the transport sector assessment criteria and funding procedures are developed with this in mind to allow FORG members (non-energy organisations) to submit projects to benefit from the fund.

Emission Intensive Sectors

FORG is generally supportive of the proposed approach that additional processes and consultation be undertaken to address issues with emissions intensive sectors. FORG would recommend that the scope and criteria for businesses, which are emissions intensive, should be well defined and its implications more broadly communicated. The NSW

Government should work with these sectors to identify opportunities for emissions reduction and then work in partnership to implement reductions.

National Leadership in energy efficiency

To improve transport energy efficiency via policy, FORG recommends that project evaluation and endorsement by the State consider the broader implications of infrastructure projects and prioritise funding based on overarching State objectives. In addition to introduction of a cost reflective heavy vehicle charging (as has been recommended by Infrastructure Australia in its 15-year Infrastructure Plan) there are also additional opportunities to improve transport energy productivity relating to the improvement in rail infrastructure. The Melbourne to Brisbane Inland Rail project, which will improve transport energy productivity by reducing distances and travel times, while also improving road safety outcomes is a good example of a project that will improve transport energy efficiency. This project should be supported by the New South Wales government – given the significant benefit that it will provide.

In order for the NSW Government to meet the target to have 40 per cent of participants in the NSW Government Clean Energy Program in the regional areas of the state, FORG would strongly argue that the Draft Plan will need to take the transport sector into consideration, given that transport of commodities (for example grain) is moved via energy intensive road freight in regional areas, which in some cases could be serviced by rail more efficiently. As a large portion of production and therefore transport activities occur in regional NSW, rail can play an important role in meeting regional targets, particularly as rail is a key piece of infrastructure in the regional environment.

Preparing for a changing Climate

Climate change risks should be taken into account by state government agencies and departments which manage, maintain and construct transport infrastructure. We would support a risk analysis of rail freight infrastructure to determine climate risks to the freight network, including from climatic temperature and rainfall shifts, as well as the frequency of catastrophic events.

Furthermore, FORG supports the proposed action that infrastructure, including transport infrastructure, will be considered in any processes which assesses potential climate change.

RAIL CROSSING
CROSSWAY

STOP

LOOK
FOR
TRAINS

