

FREIGHT ON RAIL GROUP

Submission to

**Transport for Victoria's Discussion Paper on
"Victoria's Freight Advantage"**

November 2017



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.



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.



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,



Key contacts for this document:

Arc Infrastructure	Paul Hamersley, Manager Network Development 08 9212 2801, Paul.Hamersley@arcinfra.com
Aurizon:	Mr Patrick Coleman, Principal National Policy Adviser 07 3019 7747, Patrick.Coleman@aurizon.com.au
ARTC:	Mr Adrian Teaha, Manager Industry Policy & Strategy 08 8217 4397, ATeaha@ARTC.com.au
Pacific National:	Mr Stuart Ronan, Manager Access and Regulation 02 8484 8056, stuart_ronan@pacificnational.com.au

Introduction

The Freight on Rail Group (FORG) values the opportunity to provide a submission to Transport for Victoria's (TfVic) Discussion Paper "Victoria's Freight Advantage" (the Paper), which will set out the State Government's longer term vision for Victoria's freight and logistics system, as well as outlining initiatives and steps to improve the productivity, efficiency and safety of the freight system in the state.

FORG is a group of seven major freight rail companies 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 believes a new freight plan for Victoria is critical in assisting key decision makers by providing advice and guidance on specific infrastructure initiatives that will underpin the state's continued prosperity and provide direction and certainty to industry. We welcome the opportunity to be part of this process and to work with TfVic to identify significant rail freight initiatives.

The Paper poses a number of specific questions relevant to the freight rail industry and these have been addressed under four key themes for consideration:

1. Introduction and prioritisation of heavy vehicle price reform,
2. Strategic investments (ie consideration of intermodal terminals, standardisation of rail track and associated land planning), and
3. Proactive support for investment in technology and innovation to support the transport industry to be globally competitive.
4. National consistency - in many instances policies relating to freight infrastructure and operations are state based whereas freight supply chains are national and a nationally consistent approach is required.

1. Heavy Vehicle Pricing and Investment Reform

Reform to road pricing for heavy vehicles (and the associated arrangements for investing in road infrastructure) should be a priority for TfVic. Australian Governments are currently preparing to implement heavy vehicle road pricing and investment reforms. Governments have agreed to replace the flawed pay as you go (PAYGO) charges with cost-reflective charges for road access and use and to introduce investment and governance arrangements that are more responsive to the requirements of road users. .

This issue is particularly important on freight routes where there is competition between road and rail freight (i.e. road pricing reform is needed on national highways and arterial roads). Aside from the long-term productivity and efficiency benefits that road-pricing reform would have on the overall transport system and broader economy, it will deliver substantial safety, social and environmental improvements by reducing congestion caused by increasing road freight. This is underscored by the fact that one freight train can carry the same volume of freight that it requires up to 150 heavy vehicles to carry. A level playing field for road and rail charges would contribute to realising these benefits.

Under the current road funding arrangements there is disconnect between heavy vehicle road charges and the future funding of transport infrastructure. Funding under the current arrangement does not go to those bodies responsible for maintaining or upgrading transport infrastructure. As a consequence, the right investments in key roads for freight transport may not be undertaken. FORG supports the view that a trial of direct user charging arrangements should occur in an effort to progress heavy vehicle pricing, taking into consideration mass, distance and location. This should demonstrate how the model would work in practice on designated freight corridors.

FORG strongly believes that this reform should be accelerated, and is disappointed by the progress of this reform at the Transport and Infrastructure Council, despite the Council of Australian Governments

agreement in December 2015 to accelerate this reform and to transition to independent price regulation of heavy vehicle charges by 2017-18.

The next steps for heavy vehicle pricing and investment reform should include:

- the introduction of the independent economic regulation of heavy vehicle charges by a recognised independent economic regulator. FORG recommends that this should be the Australian Competition and Consumer Commission (ACCC);
- the development and implementation of a new cost-reflective pricing framework for heavy vehicles that is consistent with pricing frameworks for rail networks where rail freight operators compete with heavy vehicles to carry the same freight. The new pricing framework should be nationally consistent and charged by state road agencies;
- direct user charging that properly reflects actual road use by each vehicle; and
- investment reform with revenue going directly to state road agencies as the infrastructure providers and linked to investment plans and more transparent arrangements for ensuring that infrastructure standards are provided.

FORG strongly believes that this reform should be specifically listed as a key item in the Freight Strategy as a priority for the short-term, as it is a low cost initiative, which would make a significant contribution to addressing road congestion and investment in Victoria. The Freight Strategy must fully take into account the consequences that this policy initiative would have on freight transport investment, usage and markets.

2. Strategic Investments

Land Use Planning / Land Reservation

While planning for future freight rail receives a considerable amount of attention in Victoria there is yet to be a state document that has paved the way for the industry since the Victorian Government appointed the Victorian Rail Freight Network Review released in December 2007.

We believe TfVic has an **opportunity to develop, in partnership with industry, the Victorian Government's long-term freight rail strategy to improve freight efficiency, grow productivity and better connect Victorian businesses with their markets, whether local, national or international**. FORG suggests that rather than a project-by-project assessment, a whole network investigation and an approach is required – focusing on key priorities and how to get better use from existing rail assets.

The opportunities to preserve long, linear corridors for future freight purposes are few and far between, and are reducing. It goes without saying that a continued scarcity of urban land will impact future investment in transport corridors and terminals. Although highways, rail lines and bus routes have previously been allocated in Victorian State Development Plans, these have largely been unattainable as cities and towns have expanded.

Without capacity planning, increasing freight volumes and population growth will continue to place pressure on the network, creating further congestion and restricting economic growth. To address these challenges, FORG recommends Victoria prioritise land and corridor reservations as a means to create additional freight rail capacity and ensure effective linkages with terminal precincts.

Development of Intermodal Terminals

FORG believes that ensuring appropriately zoned land, which is available for freight and logistics activities around key freight infrastructure, should be a short term objective for Victoria. The Paper has identified both the Beveridge and Truganina as sites under consideration for a new interstate rail terminal in Melbourne. FORG supports Victoria's consideration of these two sites, and recommends that the preferred option ensures connectivity to both the Melbourne to Brisbane Inland Rail project, as well as to the port. **FORG recommends the Freight Strategy support the accelerated**

investment plan for terminals, including work towards integrating freight rail and logistics freight hubs.

The performance of freight rail services is highly dependent on the availability and efficiency of rail freight terminals (relative to road). Existing terminals in key population centres are generally constrained by adjacent land uses. Over time these terminals will need to be complemented by terminals located in areas which are now more consistent with the rail system and industry needs. This includes greater consideration of multi-user operations, land-use requirements, and options to facilitate economies of scale.

Growth in freight rail will be facilitated by new terminals reflecting the distribution patterns necessary to service Victorian population centres. Terminals need to be close to the distribution centres of major retailers and contain reliable rail access with sufficient rail paths to support increasing traffic volumes.

Standardisation of the Victorian Rail Freight Network

FORG supports the Victorian Governments investment in the Murray Basin rail standardisation and upgrading project. FORG strongly recommends extending the project, where possible, when considering network enhancements. Standardisation will have benefits not only to the industry by improving service quality, performance and cost, but more broadly to the Victorian economy. A strategic investment approach to standardisation will generate efficiencies for rail and support Victoria's regional centres which rely on cost-effective freight transport to support industry and business.

Inland Rail

FORG notes that the Inland Rail project is an important project for Victoria given the significant benefits it is expected to provide Victoria, with the gross state product to increase by \$7 billion during construction and operation. The current route will provide access to northern markets to many highly productive agricultural regions in Victoria by delivering a transit time of less than 24 hours for freight between Melbourne and Brisbane that is as competitive as road - lowering accident costs, reducing congestion, improving environmental sustainability and 200,000 fewer heavy vehicle movements on road each year in 2050.

Given this, FORG believes the freight strategy should support and recognise the importance of the project and ancillary investments required to support the project.

Connection to Ports

FORG believes that Victoria needs to improve rail linkages from the Port of Melbourne (and other potential ports) to the broader rail network. Currently rail at the Port of Melbourne is subject to significant cost and efficiency disadvantages compared to road.

FORG welcomes the support by Victoria for the Port Rail Shuttle project. FORG also welcomes the Port of Melbourne development of a rail access strategy.

FORG is supportive of the Webb Dock freight rail access and believes it should be considered as a recommendation. The opportunity cost implications this project has together with expected growth in volumes and the need to ensure that rail remains competitive with road, makes it an essential project to achieve effective freight productivity. FORG understands that West Gate and Monash freeways provide the only link to and from Webb Dock, which is forecast to generate more than 10,000 daily trips within 10 years. This puts further strain on a freeway that already struggles to move more than 170,000 vehicles each day. This lack of rail access has only served to increase reliance on road transport and add to existing congestion.

3. Technology and Innovation

Without question, technology will continue to play a key role in improving freight rail efficiencies. FORG believes a Freight Strategy would benefit from a focus on the government's role in proactively

managing technology implications and impacts to ensure future directions are shaped appropriately, rather than delivered on an ad-hoc basis.

Given the increasing role for governments in technology coordination, FORG suggests TfVic consider the inclusion of a section on how the adoption of technology could lead to better transport outcomes. In this context, the Strategy could look at how smart technology, including smart cities, can support growth and transform the sector. In recognising the reliance and future dependence on technology in the industry, particularly in a globalised market, Victoria should consider ways to better understand the challenges this era will bring and opportunities that can be exploited now to bring forth meaningful change in the future.

Strategies to improve and lift workplace productivity are a priority for the industry and should be supported by government incentives. Achievement in this area could be made through schemes that encourage the development and implementation of innovative processes and systems and in the adoption of new technology, including the trial of emerging technologies. The implementation of new workplace technologies and systems, including automation processes, can support greater efficiency in transport operations and create a more agile and collaborative industry.

4. National consistency

In many instances policies relating to freight infrastructure and operations are state based whereas freight supply chains are national and a nationally consistent approach is required. FORG is seeking that Victoria co-operate with other state governments and the Commonwealth Government to ensure that the Victorian Freight Strategy integrates with the plans of other jurisdictions, particularly in regard to interstate freight supply chains. To this end FORG believes that the Victorian Government should be strongly involved in the current Commonwealth Government Inquiry into a National Freight and Supply Chain Strategy and seek to support any initiatives which integrate planning for interstate freight supply chains and ensure consistency across states. Such consistency will be critical given the technological change that will impact freight supply chains in the medium term.

Conclusion

FORG seeks that the Victorian Freight Strategy addresses the following:

1. The prioritisation of heavy vehicle price reform,
2. Strategic investments – investments in intermodal terminals and associated land planning, standardisation of rail track and the importance of Inland Rail as well as a better rail connection to the port of Melbourne,
3. Proactive support for investment in technology and innovation to support the transport industry to be globally competitive, and
4. National consistency - in many instances policies relating to freight infrastructure and operations are state based whereas freight supply chains are national and a nationally consistent approach is required.

RAIL CROSSING
CROSSWAY

STOP

LOOK
FOR
TRAINS

