

18 March 2016

Mr Tim Watling
Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
Parliament House
Canberra ACT 2600

Dear Mr Watling

SENATE SUBMISSION IN RELATION TO THE PERTH FREIGHT LINK PROJECT

Thank you for the opportunity to comment on the Committee's inquiry into the Perth Freight Link project.

The Freight on Rail Group (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. A factsheet on the group is enclosed.

FORG understands the importance of the Perth Freight Link project in improving the road freight connection to and from Fremantle Port, and are supportive of the project provided that it promotes genuine competitive neutrality between road and rail freight.

Numerous recent government reviews (for example the Harper Review and Infrastructure Australia 2015 Audit Report) have recommended that access charging and investment governance and processes for heavy vehicle road freight needs to be reformed, and that road and rail freight access charging should be subject to a 'level playing field' so that market distortions between freight transport modes are minimised.

Importantly, the reforms must be aimed at enabling improved productivity and efficiency of freight transport. The Perth Freight Link offers the potential for infrastructure that offers productivity improvements. However, it is vital that pricing reform is linked to the provision of improved infrastructure that enables productivity improvements to be generated.

In this context, FORG understands that the Western Australian Government is considering providing approval for High Performance Vehicles (Super B Doubles) on the Roe Highway, its Extension (Roe 8) and Freight Link. It is vital that any improved access for these vehicles is only provided in return for the introduction of full cost reflective heavy vehicle charging. FORG welcomes the fact that the Western Australian Government, in the business case for the Perth Freight Link, gave a commitment to introduce such a heavy vehicle pricing and charging framework as a key element of the project.

In particular, this efficient pricing framework, to be implemented through a direct heavy vehicle charge for the use of an infrastructure network, is necessary to ensure that the competitive relationship between rail and road transport options is one of competitive neutrality. Promoting genuine competitive neutrality would have a very positive impact on both congestion and the social externalities associated with heavy vehicles. This outcome would also help to ensure the investment

made in the capacity of the rail link to the port is efficiently utilised by the freight industry and its customers.

It should be noted that a train service between North Quay Rail Terminal and Forrestfield Intermodal Terminal shuttles containerised freight for importers and exporters. End-customers using this service receive subsidies from the Western Australian Government in recognition that the current heavy vehicle road usage charges do not reflect the true cost of their road usage. This subsidy for rail services is expected to end in 2017.

As such, FORG is seeking that road access pricing for heavy vehicles fully reflect the costs associated with heavy vehicle access and use, including the additional costs associated with providing infrastructure that meets the requirements of higher productivity vehicles. A proposed set of principles to guide the development and implementation of heavy vehicle pricing and investment reforms is attached.

Yours sincerely



John Fullerton

Chair

Freight on Rail Group

Chief Executive Officer - Australian Rail Track Corporation

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Fact Sheet: Freight on Rail Group

The Freight on Rail Group (FORG) is a rail freight focussed industry group established in August 2015 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 and port haulage services. It has facilities in Brisbane, Sydney, Parkes, Melbourne, Adelaide and Perth.



The Group 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. The efficiency of the rail freight transport network is critical to the competitiveness of Australia's industries in domestic and international markets and, therefore, contributes to the ongoing development and growth of the Australian economy.

The Group works closely with industry and government to help achieve this outcome. It researches and develops policy positions and advocates policy changes and reform that support modal shift to rail. It also provides information and expert advice on freight related issues.

The Freight on Rail Group at a glance:

- contribute more than **\$10 billion** to the Australian economy
- employ over **18,000 people**
- operate in **every Australian state** but Tasmania
- utilise **1,600 locomotives** and **34,000 rolling stock**
- manage and operate **23,000 kilometres** of rail track

Heavy vehicle charging and investment reform principles

To guide the implementation of heavy vehicle charging and investment reforms, it is proposed that the following principles be adopted by Governments and industry and, thus, be the key reference point for all aspects of implementation of heavy vehicle charging and investment reform:

1. The reforms:

- Should cover both Demand (pricing reform) and Supply (infrastructure provision/investment).
- Should only apply to heavy vehicles weighing more than 4.5 tonnes, and operating on major freight routes managed by Governments (national highways and state arterial roads).
- Would not apply to light commercial vehicles or passenger vehicles.
- Would not apply to regional and country roads.

2. Pricing reform should involve:

- Sending clear price signals to heavy vehicle users of road infrastructure based on the introduction of direct charges that fully reflect the actual costs of road infrastructure access and use, with prices for access to the road freight network determined by:
 - A building block regulatory pricing model (including Regulated Asset Base) and subject to approval by economic regulatory arrangements agreed by Governments and industry.
 - A direct mass, distance and location (MDL) charging system.
 - The use of in-vehicle telematics technology to measure road usage.

3. Infrastructure provision (Investment) reform should require:

- The development of road infrastructure plans and service standards that are consistent with commercial principles, and responsive to the current and future requirements of heavy vehicle users, including links to intermodal facilities, ports, airport and other significant freight infrastructure.
 - These arrangements should include a specific mechanism for heavy vehicle road users to propose infrastructure or service upgrades, and a process for the consideration and potential development of such proposals.
- State Government road infrastructure agencies/providers should be accountable for their performance in delivering infrastructure plans, including the provision of infrastructure service standards, with full transparency in these arrangements.

4. Revenue from direct MDL user charges:

- All revenue from direct MDL user charges should go directly to infrastructure owners/providers and be used for investment and other related costs directly associated with the infrastructure used by the heavy vehicles that incur direct MDL charges. Furthermore, it should be a requirement that revenue cannot be diverted to other uses.

5. The integration of pricing and investment reforms:

- Pricing reform based on direct user charging, and investment reform based on transparent infrastructure planning and provision, should be integrated from the commencement of the implementation process. This will promote the maximum productivity benefits from infrastructure investment by providers who will have an incentive to improve their performance in providing infrastructure and related services for the benefit of freight customers.