

FREIGHT ON RAIL GROUP

Submission in response to:

The NSW Government's

Future Transport 2056 Draft Strategy

December 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 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 NSW “Future Transport 2056 Draft Strategy” (the Strategy), which will set out the longer term vision for the NSW transport network and operations.

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 transport strategy is vital to ensure effective planning and for providing guidance and certainty to industry, including freight operators.

We wish to provide comments on the strategy under the following five themes.

1. The importance for clear objectives

To provide a context for decision making it is important for the NSW Government to articulate its objectives, with sufficient definition and clarity that they can be meaningfully applied and measured.

This should in-turn flow into an assessment as to whether existing policies and institutional structures are working harmoniously with Government’s objectives. Importantly, clear objectives provide industry with guidance and certainty with regard to long term planning of infrastructure and operational investments.

Clarity of objectives and coherent and aligned policies that clearly provide for efficient transport system outcomes are a fundamental building block for a successful Strategy.

FORG would support efficiency¹, safety and sustainability as the three key objectives.

2. Policy Reform focusing on 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 NSW. The fact that NSW has, together with the Federal Government and other state and territory governments agreed to give a high priority to the implementation of heavy vehicle road pricing and investment reforms is supported by FORG. Governments have agreed to move towards replacing the current flawed pay as you go (PAYGO) charging regime with cost-reflective charges for road access and the introduction of 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 infrastructure 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 arrangements 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 soon in NSW in an effort to progress heavy vehicle pricing reform, the heavy vehicle road charging model should take into consideration mass, distance and location. This trials would demonstrate how the model would work in practice on designated freight corridors.

¹ Efficiency should be taken to refer to economic efficiency, covering both productive and allocative efficiency.

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 competes with road freight. The new pricing framework should be nationally consistent and charged by state road agencies (such as RMS in NSW). This pricing should be tested by introducing trials of heavy vehicle pricing reform on key corridors in NSW;
- 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 road pricing reform should be specifically listed as a key item in the 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 transport infrastructure investment in NSW. The Strategy must fully take into account the consequences that this policy initiative would have on freight transport investment, usage and markets.

3. Strategic land use planning

We believe Transport for NSW has an opportunity to develop, in partnership with industry, a long term strategy to improve the efficiency of the NSW transport system by utilising the strengths and benefits of each of the land transport modes, and in doing so to grow productivity and better meet the future requirements of the State.

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 freight terminals.

Without capacity planning, increasing freight volumes and population growth will continue to place pressure on the transport network, creating further congestion and restricting economic growth. To address these challenges, FORG recommends NSW 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

The performance of freight rail services is highly dependent on the availability and efficiency of rail freight terminals. Growth in freight rail will be facilitated by new terminals reflecting the distribution patterns necessary to service NSW population centres. Terminals need to be close to the distribution centres of major freight users and contain reliable rail access with sufficient rail paths to support increasing traffic volumes.

Inland Rail

FORG notes that the Inland Rail project is an important project for NSW given the significant benefits it is expected to provide to industries in the state including agricultural industries.

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

4. Technology and Innovation

Without question, technology will continue to play a key role in improving freight rail efficiencies. FORG believes the Strategy would benefit from a focus on the government's role in proactively managing the implications and impacts of technology to ensure future directions are shaped appropriately, rather than be delivered on an ad-hoc basis.

Given the increasing role for governments in technology coordination, FORG suggests the Strategy emphasise how the adoption of technology could lead to better transport outcomes. In this context, the Strategy could look at how smart technology can support growth and transform the sector.

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.

5. 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 NSW co-operate with other state governments and the Federal Government to ensure that the Strategy is consistent with the plans of other jurisdictions, particularly in regard to interstate freight supply chains. To this end FORG believes that the NSW Government should be directly engaged 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 NSW Strategy addresses the following:

1. Setting clear objectives for the strategy, which we suggest should be enabling improved efficiency, safety and sustainability;
2. The prioritisation of policy reform, focusing on heavy vehicle road pricing reform in the near term;
3. Strategic planning – providing guidance of certainty for industry, including through associated land planning;
4. Proactive support for investment in technology and innovation to support the transport industry to be globally competitive; and
5. 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

