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NSW should look west to help shift more freight onto rail at Port Botany

Some of Australia's largest freight and logistics industry groups have called for a customer incentive scheme to achieve the NSW Government's 2021 rail mode share target at Port Botany

Freight on Rail Group (FORG) of Australia, Australian Logistics Council (ALC), Freight and Trade Alliance (FTA) and Australasian Railway Association (ARA) and individual port rail freight operators have called on the NSW Government to introduce a container rail incentive scheme for exporters and importers to help meet the government's 2021 rail mode share target.

ALC board member and Qube Holdings Managing Director Maurice James said Port Botany rail mode share is stagnant largely as a result of government issuing more permits for high productivity vehicles (HPVs) to access the Sydney metropolitan road network, including operating on WestConnex.

"By incentivising HPVs, government is perversely derailing their own policy to grow rail's mode share target – at a time when Sydneysiders want safer roads and less traffic congestion and vehicle emissions," he said.

Of the current 2.5 million container trade through Port Botany, close to 75 per cent are 40-foot boxes. A high productivity vehicle (e.g. A-double truck) can carry two 40-foot containers which delivers a 100 per cent productivity increase in the typical import carrying capacity of road.

Mr James said government policies are making it harder for rail to compete in the metro import container market, which is primarily within a 40 to 50-kilometre radius of Port Botany.

"All this is doing is adding more and more trucks to Sydney's road network at a time when the NSW Government rail mode share target continues to stagnate – now at 17.6 per cent – versus an official target of 28 per cent by next year," he said.

Mr James said now the NSW Government had let the 'HPV genie out of the bottle', it will be very difficult to get back on track without a container rail incentive scheme in place.

"The NSW Government's approach to HPVs is now undermining its own policy target on rail mode share, not to mention limiting the effectiveness of the $1.5 billion[1] investment the Australian Government and industry is making to enhance rail freight infrastructure and operations at Port Botany and within the Sydney metro region," he said.

In 2020, Patrick Terminals is forecasting more than 50,000 HPV truck movements through its Port Botany container terminal versus only 220 in 2016 and 30,000 in 2019 – or a massive 23,000 per cent jump in HPV movements in only four years.

[1] Australian Rail Track Corporation (ARTC) upgrade and duplication of Port Botany freight line ($400m), Stage One Port Botany rail automation by Patrick Terminals and NSW Ports ($190m), Enfield Intermodal Logistics Centre ($250m), Moorebank Logistics Park ($600m), and St Mary Freight Hub ($45m).

FORG chair and Pacific National CEO Dean Dalla Valle pointed to the success of the Western Australian Government's Port of Fremantle container incentive scheme which has delivered the highest rail mode share in the country at above 20 per cent.

"Prior to introduction of the incentive scheme at the Port of Fremantle in 2006-07, rail mode share was a meagre two per cent. The scheme underpinned growth of rail's mode share which is now above 20 per cent – the highest in the country," he said.

The scheme allows a $50 per TEU[2] incentive to flow directly to the importer and exporter, with the WA Department of Transport conducting audits to ensure savings are passed on to customers (rail freight clients).

Mr Dalla Valle said any rail incentive scheme could be gradually phased out once the government container volume target at Port Botany was exceeded; but there first needed to be a catalyst to help drive modal shift – to generate a flow of containerised freight back onto rail.

"At a time when the COVID-19 crisis has put into sharp focus the criticality of efficient rail freight supply lines, it is imperative for the NSW Government to demonstrate a commitment to achieve its own transport mode share target for container volumes in and out of Port Botany," he said.

Mr Dalla Valle said in the past, trucks would complete the 'first and last mile' between intermodal terminals and distribution centres and warehouses – both freight transport modes would complement each other.

"Today however, many HPVs are doing 'every mile' of the freight task in Sydney, placing heightened pressure on traffic congestion, road safety and vehicle emissions," he said.

Australasian Railway Association CEO Caroline Wilkie said NSW's growing freight needs meant this was an increasingly critical issue.

"The balance has tipped so far we run the risk of Sydney's roads being over-run with trucks unless there is urgent action to use more rail. There must be a level playing field for rail if we are to meet growing freight demand and streamline Australia's supply chains," Ms Wilkie said.

Director of Freight & Trade Alliance (FTA) and Secretariat to the Australian Peak Shippers Association (APSA) Paul Zalai said exporters, importers and freight forwarders are looking to long term strategies to effectively manage supply chains and to remain internationally competitive.

"Governments must maximise port assets and manage our trade gateways through incentivisation of rail usage for imports to metropolitan sites and importantly, streamlined connectivity to regional areas to cost effectively reach export markets," he said.

Australian Logistics Council CEO Kirk Coningham said striking the right balance in modal share is an essential step towards developing the world class supply chains Australia needs to take best advantage of global opportunities.

"In this brave new COVID world, the economies which fine-tune and enhance their transport supply chains are the economies which will emerge stronger," he said.

[2] Twenty Equivalent Unit (TEU) – standard shipping container

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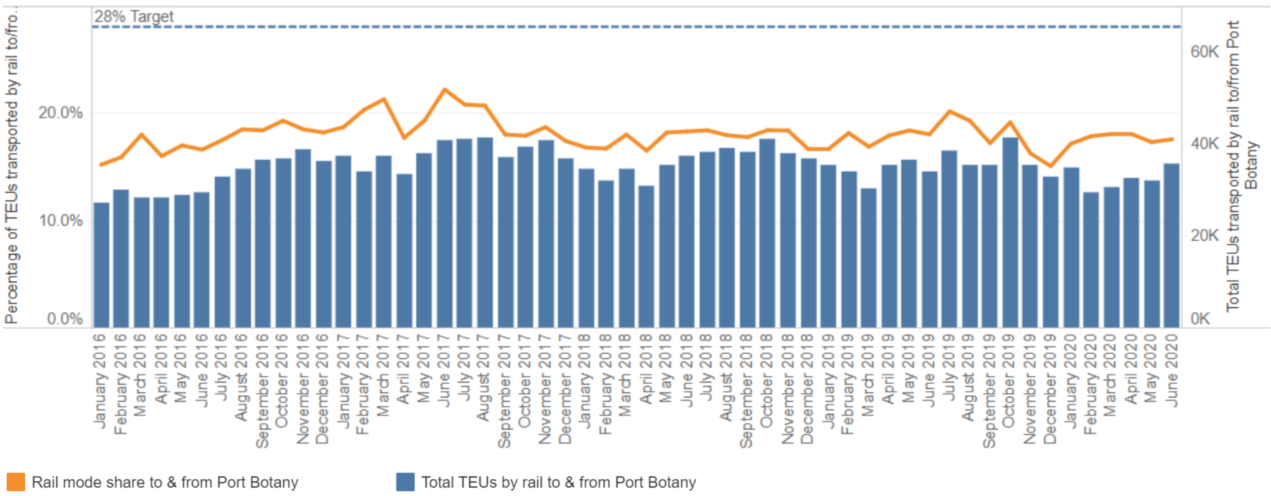
Additional facts

NSW Government rail mode share target

- NSW Government Freight and Ports Plan (2018-2023) – rail share for freight moved to and from Port Botany increased to 28 per cent or 930,000 Twenty-foot Equivalent Unit (TEU) by 2021 (against 2016 base of 17.5 per cent or 388,552 TEU).

Port Botany rail performance has stagnated



- June 2020 rail mode share is 17.6 per cent representing a mere 0.1 per cent increase from the 2016 NSW Government base level.
- 414,625 TEUs were moved for FY20 or >515,000 TEUs short of the Transport for NSW 2021 target.
- Requires a 124 per cent increase on current volumes in less than 12-months versus an actual increase of six per cent on 2016 volumes.
- Long term trend is stagnant as more containerised volume shifts to road.

Port Botany container trade characteristics

- Port Botany is a full import dominated port and will continue to be increasingly so.
- 80 per cent plus of import containers are destined for within 40 to 50 kilometres of Port Botany.
- Of the total 2.5 million TEUs, close to 75 per cent are 40-foot containers (i.e. two TEUs).
- The short distance import task is dominated by road with rail's mode share of imports being only 14 per cent versus 19 per cent for exports.

Increase in High Productivity Vehicles (e.g. A-double trucks)

- An HPV can carry four TEUs or more specifically two imported 40-foot shipping containers.
- Deliver a 100 per cent productivity increase in full import carrying capacity of road freight.
- In 2020, Patrick Terminals is forecasting more than 50,000 HPV truck movements through its Port Botany container terminal versus only 220 in 2016 and 30,000 in 2019.

Port of Fremantle rail incentive scheme

- Mode share two per cent in 2003-04 with a record high mode share of 23.7 per cent in 2019. WA now has the highest proportion of port containers carried on rail in Australia.
- Incentive implemented in 2006/7 by WA Government with a long-term target of 30 per cent mode share.
- $50 per TEU incentive that flows directly to the customer (i.e. rail clients).
- Near 5 per cent jump from the previous year when the incentive was increased from $30 to $50 per TEU.
- Incentive has increased the number of port rail operators with new services in 2020.

  https://www.fremantleports.com.au/news/record-high-23.7-per-cent-of-freight-on-rail-in-april

Desired attributes of a Port Botany direct rail incentive scheme

- Incentive needs to be significant enough to not just maintain current rail freight volumes but deliver a fundamental step volume and productivity increase.
- Needs to be transparent and auditable scheme with the benefit directly passing to the customer (i.e. rail client).
- Needs to apply to all port rail freight operators. Needs to apply to and from every metropolitan rail freight terminal.
- Apply to imports and exports, fulls and empties although different incentive rates may relate to each.
- Needs to be easy to administer for relevant parties.
- Incentive or rebate can be phased out over time once rail freight mode share target is achieved.

Estimated start-up cost of proposed Port Botany container rail incentive scheme to stimulate

- FY20 ~ 414,000 TEUs x $50 (akin to Port of Fremantle) ~ $21 million pa
- Maximum cost = 930,000 TEUs (2021 target) x $50 ~ $46.5 million pa

As a point of comparison, the Queensland Government will provide $80 million over 4 years ($20 million each year) to incentivise more freight on rail on the Mount Isa Line and encourage a shift from road to rail. This scheme started on 1 July 2019 and will end 30 June 2023.
https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Freight/Mount-Isa-Line-Incentive-Scheme#:~:text=As%20part%20of%20a%20suite,will%20end%2030%20June%202023.

Compare these estimated annual costs to the factors listed below (i.e. numerous social and environmental benefits of hauling more freight by rail).

Safety and environmental benefits of rail freight

- 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.[3]

- 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.[4]

Cost of traffic congestion in Sydney

- According to a 2019 report by Infrastructure Australia, by 2031, the annual cost of road congestion in Sydney will be $15 billion. In the same report, the 2016 cost was estimated to be $8 billion.[5]

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[3] Value of Rail. The contribution of rail in Australia. A report commissioned by the Australasian Railway Association (ARA). November 2017. Deloitte Access Economics.
[4] Australia's emissions projections 2017. Table 7: Emissions by sector (Mt CO_2-e). Australian Government. Department of the Environment and Energy. December 2017.
[5] Urban Transport Crowding and Congestion. The Australian Infrastructure Audit 2019. Supplementary report. Infrastructure Australia. June 2019.