



SUBMISSION

To Victorian Department of Transport Discussion Paper
– Shaping Melbourne’s Freight Future – Proposals for
an Intermodal Solution to Service Melbourne’s Growing
Containerised Freight Task

WHO WE

ARE

The Australian Logistics Council (ALC) is the peak national body for Australia's freight Transport & Logistics (T&L) industry. The aim of ALC is to influence government policy decisions to ensure that Australia has a safe, secure, reliable, sustainable and competitive freight T&L industry.

**SUBMISSION TO VICTORIAN DEPARTMENT OF TRANSPORT
DISCUSSION PAPER – SHAPING MELBOURNE'S FREIGHT FUTURE – PROPOSALS
FOR AN INTERMODAL SOLUTION TO SERVICE MELBOURNE'S
GROWING CONTAINERISED FREIGHT TASK**

THIS SUBMISSION HAS BEEN PREPARED WITH THE
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About ALC

The Australian Logistics Council (ALC) is the peak national body for Australia's freight Transport & Logistics (T&L) industry.

ALC aims to influence government policy decisions to ensure that Australia has a safe, secure, reliable, sustainable and competitive freight T&L industry.

ALC members have interests across the full spectrum of the Australian freight T&L supply chain, including owners, providers and users of infrastructure, as well as suppliers of goods and services.

The Objectives of ALC are to:

1. Be the nationally recognised voice of the major participants in Australia's domestic and international freight T&L supply chains.
2. Support appropriate nationally consistent regulatory frameworks and transparent markets to ensure Australia enjoys the full benefits of national freight T&L policy development and reform.
3. Promote the freight T&L industry's image and profile and encourage greater recognition by governments and the community of the importance of the industry's contribution to Australia's economy.
4. Drive implementation of strategies to improve Australia's domestic and international supply chains.

Summary

ALC generally agrees with the creation of a ‘hybrid metropolitan freight terminal network’ (**MFTN**) created in partnership between industry and government to serve Victoria

As proposed in the discussion paper, terminals with the status of ‘inland ports’ should be located in clearly designated freight precincts to the west, north and south east of Melbourne, while noting that over time terminals in other areas of Victoria could be added to the network.

ALC agrees the MFTN process should be **co-ordinated** by a single government agency with the capacity to make such zoning decisions that are necessary to ensure the efficient development of the MFTN.

If this agency does not have the capacity to make zoning decisions, then at the very least any final documentation flowing from the discussion paper should be an instrument to be taken into account when zoning decisions are made.

While it may be the case that a government authority may:

- » own the site of the terminals; and
- » perform the landlord and service contract/franchise management functions and MFTN line haul operations, both road and rail, could be contracted or franchised to a single integrated operator.¹

any creation of monopoly rights within the MFTN should only proceed following a rigorous cost-benefit analysis, and operational analysis/simulation and the application of competition principles.

Given they are already in existence, the rail effort should use (at least initially) existing rail infrastructure (including METROL control), although more generally, as the discussion paper suggests, specialist rolling stock and next generation HPFVs should be used for the hauling task.

For the present, there will need to be a clear memorandum of understanding (if not an enforceable agreement) as to the level of access that assets undertaking the line-haul task have to lines principally dedicated to passenger movements. However, in the long run, particularly for rail, specific corridors should be dedicated to the MFTN so as to minimise congestion on other rail corridors and to maximise the efficient use of assets.

ALC agrees that MFTN should be coordinated through a single integrated ICT operating system.

Finally, ALC believes the road freight access charge issue should be implemented only after careful analysis and after having regard to any road pricing mechanisms that may be adopted federally.

¹ Propositions 11 and 12

Context

ALC welcomes the opportunity to make a submission to the discussion paper *Shaping Melbourne's Freight Future – Proposals for an intermodal solution to service Melbourne's growing containerised freight task (the discussion paper)*.

As ALC said in its submission to Infrastructure Australia on the national freight network plan:

Building on the research contained in the 2006 *National Intermodal Terminal Study* the idea of an **inland port** should be developed which:

- » recognises the interconnection between the intermodal facility, freight corridor and destination point; and
- » ensures that infrastructure and regulatory decisions are made recognising that interconnectivity

with a process to identify inland ports needed having regard to cost-benefit analyses and competition principles.

ALC anticipates that developments such as the proposed Moorebank Intermodal Freight Terminal in NSW will continue to be proposed and developed throughout the nation.

The discussion paper clearly articulates the need identified in *Freight Futures* to increase the use of intermodal solutions in Victoria.

ALC members have been involved in the process of developing the Discussion Paper and the propositions it contains.

ALC generally agrees with the creation of a 'hybrid metropolitan freight terminal network' (**MFTN**) created in partnership between industry and government and makes the following comments.

Nature of the MFTN

The service should be considered an integrated door-to-intermodal terminal service, rather than the 'port-to-door'.²

This recognises that some industry participants will continue existing arrangements.

The proposed terminals should operate as fully integrated 'inland ports' possessing full customs and quarantine status on a 24/7 status.³

Location of the MFTN

As proposed in the discussion paper, terminals with the status of 'inland ports' should be located in clearly designated freight precincts to the west, north and south east of Melbourne, whilst noting that over time terminals in other areas of Victoria could be added to the network.

Governance of the MFTN

ALC agrees the MFTN process should be **co-ordinated** by a single government agency with the capacity to make such zoning decisions that are necessary to ensure the efficient development of the MFTN.

Any final documentation flowing from the discussion paper should be an instrument to be taken into account when zoning decisions are made.

² As expressed in the discussion paper's proposition 1

³ Or at least the availability of quarantine and customs services if there is insufficient volume to declare an intermodal terminal as a port

The last point is important.

On 7 December 2009 COAG approved the National Objective and Criteria for Future Strategic Planning of Capital Cities (**the national criteria**).

Criterion 3 of the national criteria requires that a capital city strategic planning system should:

Provide for nationally significant economic infrastructure (both new and existing) including;

- (a) transport corridors;
- (b) international gateways;
- (c) intermodal connections;
- (d) major communications and utilities infrastructure; and
- (e) reservation of appropriate lands to support future expansion⁶

ALC agrees with observations made in the draft National Ports Strategy that freight is regarded as the ‘poor cousin’ of the urban planning context.⁴

Promises contained in sector specific documentation sound superficially encouraging. For example, ALC notes the discussion paper says:

Under the proposed MFTN model, there is clearly a key role for Government in identifying and securing outer suburban sites for the principal terminals which will form the basis for the system.

Once suitable sites have been determined, this will require the Government to secure them through a combination of appropriate zoning and, potentially, land acquisition processes. (emphasis added).⁵

Sector specific documents discussing planning issues are pointless if they are not taken into account by those charged with the statutory authority to make planning decisions such as the rezoning of land and the coordination of ‘last mile’ issues.

The discussion paper suggests that a government authority should:

- » own the site of the terminals;
- » perform the landlord and service contract/franchise management functions and MFTN line haul operations, both road and rail, should be contracted or franchised to a single integrated operator.⁶

These are outcomes that may ultimately be adopted.

However, ALC does not automatically accept the (untested) presumption contained in the discussion paper that:

... the capital costs of the terminal can only be commercially funded if some of this increased land value is transferred. Therefore, a mechanism to “capture the value” created by the MFTN in the land surrounding the terminals will be necessary.⁷

It is conceivable that with the right regulatory structure a commercial entity may be prepared to take the risk to operate the terminal, with ‘open access’ issues governed through the operation of competition law.⁸

ALC also does not automatically accept the (untested) presumption that franchising a single rail and road operator for the line haul task from intermodal facility to port will:

... optimise train and truck fleet efficiency; ensure consistent, disciplined rail operations on the tightly timetabled shared metropolitan rail network (which is also franchised to a single operator); and promote efficient management of the movement of full and empty containers across the network.⁹

Arguably, there are benefits that can be derived by competition and the flexibility of operation from multiple suppliers (who have a commercial incentive to provide viable cost effective services).

⁴ Infrastructure Australia and the National Transport Commission *The Proposed National Ports Strategy* May 2010 page 33

⁵ Page 67 of the discussion paper

⁶ Propositions 11 and 12

⁷ Page 60 of the discussion paper

⁸ For example, the provisions of Part IIIA of the *Trade Practices Act 1974*

⁹ Page 61 of the discussion paper

Moreover, some shipping companies may not find acceptable a requirement that a particular company must use the services of a single company to transport containers etc to (and from) the terminal operating as an inland port.

Any creation of monopoly rights within the MFTN should only proceed following a rigorous cost-benefit analysis and the application of competition principles.

ALC also notes that Infrastructure Australia expects all future infrastructure proposals to include (amongst other things) an operational analysis/ simulation to show how the proposal would actually work, which could lead to further enhancement to the original proposal, which would be in the interests of all stakeholders.

This would also be useful in this context.

Use of existing equipment to undertake the line haul task between terminal and port

ALC agrees that as far as possible the MFTN line-haul task between the port and inland terminals should utilise a combination of both off-peak road and rail capacity.

Given they are already in existence, the rail effort should use (at least initially) existing rail infrastructure (including METROL control), although more generally, as the discussion paper suggests, specialist rolling stock and next generation HPFVs should be used for the hauling task.

For the present there will need to be a clear memorandum of understanding (if not an enforceable agreement) as to the level of access that assets undertaking the line haul task have to lines principally dedicated to passenger movements.

However, in the long run, particularly for rail, specific corridors should be dedicated to the MFTN so as to minimise congestion on other rail corridors and to maximise the efficient use of assets.

ICT

ALC has a policy of encouraging the development of mechanisms permitting the transfer of non proprietary information across the transport and logistics chain so as to permit the development and use of impartial industry wide ICT solutions that enhance the efficiency of the transport and logistics chain.

ALC therefore agrees that MFTN should be coordinated through a single integrated ICT operating system.

Road freight access charge

Finally, it is noted the discussion paper says:

Port Futures (2009) confirmed the Government's intention, first outlined in *Freight Futures* (2008, p63), to proceed with the design and implementation of a Freight Infrastructure Charge (referred to in *Port Futures* as a Road Freight Access Charge) to be applied to trucks accessing the stevedoring terminals at the Port of Melbourne. This new access charge will effectively act as a road pricing mechanism, tightly focussed on the Port of Melbourne, with the twin aims of: a) contributing to public investment in improved transport network infrastructure to service the Port freight task; and b) encouraging more efficient and sustainable utilisation of this infrastructure.¹⁰

It is also noted that the issues relating to road pricing (including congestion charging) are being considered as part of the COAG Road Reform Project and the Henry Taxation Review, with the Henry Review body of work to be the subject of a 'public discussion' or 'summit – one of the conditions that have allowed the formation of a minority Gillard Government.

The issue of whether there should be a charge, and the proposed manner of its application, is a live issue within the transport and logistics industry.

The road freight access charge issue should be implemented only after careful analysis and after having regard to any road pricing mechanisms that may be adopted federally.

ALC looks forward to the development of the final documents flowing from the *Futures* policy stream.

**Australian Logistics Council
September 2010**



M E M B E R S

PLATINUM



GOLD



SILVER



BRONZE

- ARRB Group
- Australian Air Express
- BlueScope Steel
- Broome Port Authority
- Coca-Cola Amatil
- National Foods Limited
- Newcastle Port Corporation
- PGA (Management) Pty Ltd
- Port Kembla Port Corporation
- Port of Melbourne Corporation
- Swire Cold Storage
- Transport Certification Australia
- Wallenius Wilhelmsen Logistics
- WestNet Rail

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INDUSTRY ASSOCIATION

- Australian Food & Grocery Council
- Australian Furniture Removers Association Inc
- Australian Institute of Export
- Australian Shipowners Association
- Chartered Institute of Logistics & Transport in Australia
- GS1 Australia Limited
- Ports Australia

INDUSTRY ASSOCIATION (CONTINUED)

- Transport & Logistics Centre
- Transport & Logistics Industry Skills Council
- Transport Unions Federation
- Victorian Freight & Logistics Council
- Victorian Transport Association

ASSOCIATE

- Merrill Lynch
- Victoria University