



AUSTRALIAN LOGISTICS COUNCIL

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ALC SUBMISSION

**DRAFT DISCUSSION PAPER
AUSTRALIAN GOVERNMENT'S
FREIGHT RAIL POLICY OBJECTIVES**



THIS SUBMISSION HAS BEEN PREPARED WITH THE
ASSISTANCE OF KM CORKE AND ASSOCIATES, CANBERRA.

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ABOUT THE AUSTRALIAN LOGISTICS COUNCIL

The Australian Logistics Council represents the major Australian logistics supply chain customers, providers, infrastructure owners and suppliers.

Its members span the entire supply chain, incorporating road, rail, sea, air, sea ports and intermodal ports. ALC works with government of all levels to ensure they appropriately recognise the logistics industry in their investment and policy decisions.

ALC appreciates the opportunity to provide comment on the Department of Infrastructure and Regional Development's draft discussion paper *Australian Government's Freight Rail Policy Objectives October 2015*. ALC notes that the objectives will be used to inform the Scoping Study future management, operation and ownership of ARTC and the Australian Government's consideration of recommendations from that Study.

It also understands that the results of consultation will also be used to identify areas for potential future rail reform and the development of a freight rail performance evaluation framework.

ALC is pleased to provide four key recommendations for the Department's consideration, and looks forward to discussing them with the Department further to inform its work in this area.



RECOMMENDATIONS

Recommendation 1

An independent body should be created, to be called Freight Australia, with responsibility for:

- » ensuring that freight infrastructure of national significance is identified and properly developed within designated corridors and development sites identified and preserved in the planning process;
- » objectively analysing total demands on the network and developing a long-term plan to improve performance of whole corridors and the network, taking into account freight and passenger volumes; and
- » the possible regulation of some areas of policy related to the carriage of freight to port by land transport that may flow from the review discussed in Recommendation 3

Recommendation 2

The Commonwealth should institute a review of the Australian rail freight industry that examines:

- » the costs and benefits of vertical separation and / or vertical integration of above and below rail operations;
- » the need for a single access regime for users of rail freight networks¹;
- » whether there are any structural or policy impediments that impacts the use of short haul rail (including but not limited to the pricing of transport alternatives to short haul rail);
- » steps that can be taken to reduce coordination costs in the rail freight market (including the transfer of non-proprietary information between asset operators); and
- » the costs and benefits of investing in the separation of passenger and freight movements.

Recommendation 3

The work necessary to harmonise Australian law regulating the movement of freight by rail needs to be expedited.

The Commonwealth should institute the review recommended to the Government by Ernst and Young that identifies all legislation (including planning instruments) that impact directly on the operation of rail freight in Australia, with a view of having all relevant decisions made by a single national regulator.

Recommendation 4

ALC notes the Commonwealth's support for the Inland Rail project and should aim to accelerate progress on the project

The consideration of the two reviews discussed in recommendation 2 and 3, together with the (as yet publicly unpublished) National Rail Vision will allow for the formulation of policies to allow the Commonwealth to provide the leadership in freight rail policy proposed in the Discussion Paper.

¹ Noting that passenger networks are not the focus of the review

AUSTRALIAN GOVERNMENT'S FREIGHT RAIL POLICY OBJECTIVES

Introduction

The Australian Logistics Council (ALC) is pleased to make a submission on the Department of Infrastructure and Regional Development's draft discussion paper *Australian Government's Freight Rail Policy Objectives*.

ALC notes the Discussion Paper says:

Alongside the objectives, the NSW Government has developed a draft National Rail Vision that would apply to all rail infrastructure, regulation and policy in Australia, across the interstate, regional and urban networks. Together the National Rail Vision and the objectives will inform the future direction of rail policy.²

Ideally, this document would have been published at the same time as the Discussion Paper so that a holistic discussion about Australian rail policy could be conducted.

ALC hopes that this paper will be published as soon as possible to allow a national approach to rail policy.

The concept of Commonwealth leadership is mentioned throughout the Discussion Paper.

An example is contained on page 4, when it says:

[Commonwealth interests include] Leadership: National policy leadership, monitoring and regulatory harmonisation to drive the development of a seamless national market for infrastructure investment and rail services, characterised by nationally consistent operational rules and a multiplicity of investors and operators.

ALC commends the Australian Government in asserting this role.

This is because ALC has long believed that one national economy should have one clear policy maker that both:

- » establishes national priorities; and
- » possesses the economic and legal capacity

to create the environment that will permit the Australian transport and logistics industry to perform its task of moving freight efficiently around Australia and to places of export.

The evidence underlines the importance of this task.

The Bureau of Infrastructure, Transport and Regional Economics (BITRE) estimates growth in Australia's freight task will continue over the next two decades with total domestic freight projected to grow 80 per cent, between 2010 and 2030 underpinned by strong growth in domestic movements of bulk commodity exports, particularly iron ore and coal, and also by continuing growth in the road freight task³.

ALC also notes the Discussion Paper is examining what the Australian Government 'wants to achieve' in relation to freight strategy, whilst a scoping study being administered by the Department of Finance is looking at whether the Australian Rail Track Corporation (ARTC) is the 'best way of doing this'.⁴

As a high level policy statement, the policy objectives set out in Appendix A of the Discussion Paper, which broadly aim for the efficient and effective use of rail in the freight task are satisfactory, although another objective reading:

Delivering freight chain efficiency – focussing on issues impacting on freight chain efficiency and thus the productivity of the Australian economy.

could possibly be added.

That said, the administrative structure must be present to allow the Australian Government to achieve what it 'wants to achieve'.

2 DP:3

3 Freightline, BITRE, https://bitre.gov.au/publications/2014/files/Freightline_01.pdf

4 DP:7

Freight Australia

It is a common view in the international and Australian freight logistics sector that 'freight doesn't vote' and so policy initiatives relating to the movement of goods escape political attention and slip down the national policy agenda.

It is for this reason ALC was pleased that in 2011 in NSW, the term 'freight' was added to the portfolio description of the roads portfolio and that, more importantly, a Freight Strategy and Planning Division was created within Transport for NSW (TfNSW).

Amongst other things, the Division:

- » develops and monitors the delivery of a freight strategy for NSW. Engage service delivery agencies and the freight industry in development of strategy, policy and planning. Represent the freight industry in the strategy and planning process and advocate for freight and passenger stakeholders interests in decision making.
- » develops a long-term plan for infrastructure which delivers on strategy and policy objectives; and
- » manages the collection and use of freight and public transport statistics to develop and inform the planning agenda and transport policies.⁵

The functions of the Division are generally set out at <http://freight.transport.nsw.gov.au>.

ALC has also supported the creation of an independent Infrastructure Australia so as to provide the Government with robust advice to determine what should be on the Infrastructure Priority List through the application of rigorous cost benefit analysis.

ALC has been disappointed by the slowness of some important reforms contained in planning documents such as the National Land Freight Strategy and the National Ports Strategy.

Accordingly, in its response to Infrastructure Australia's 2015 Australian Infrastructure Audit⁶, ALC reissued a view first expressed in its 2011 response to the National Land Freight Strategy Discussion Paper⁷ for the creation of a body called Freight Australia.

This body would have responsibility for:

- » ensuring that freight infrastructure of national significance is identified and preserved for freight development and properly developed within designated corridors and development sites identified in the planning process;
- » objectively analysing total demands on the network and developing a long-term plan to improve performance of whole corridors and the network, taking into account freight and passenger volumes; and
- » possibly, some areas of regulation related to the carriage of freight to port by land transport that could be referred from the States⁸

The body would act in a 'mode neutral' manner, although guided in the rail freight context by the finalised set of the principles currently set out in Appendix A of the Discussion Paper.

The proposed functions that Freight Australia could have, as originally envisaged by ALC, are set out in the appendix of this submission.

ALC believes that if the Commonwealth Government 'wants to achieve' outcomes in the rail freight policy area (as well as over the movement of freight generally), it should establish an independent agency similar in nature to Infrastructure Australia as the platform to deliver Commonwealth policy.

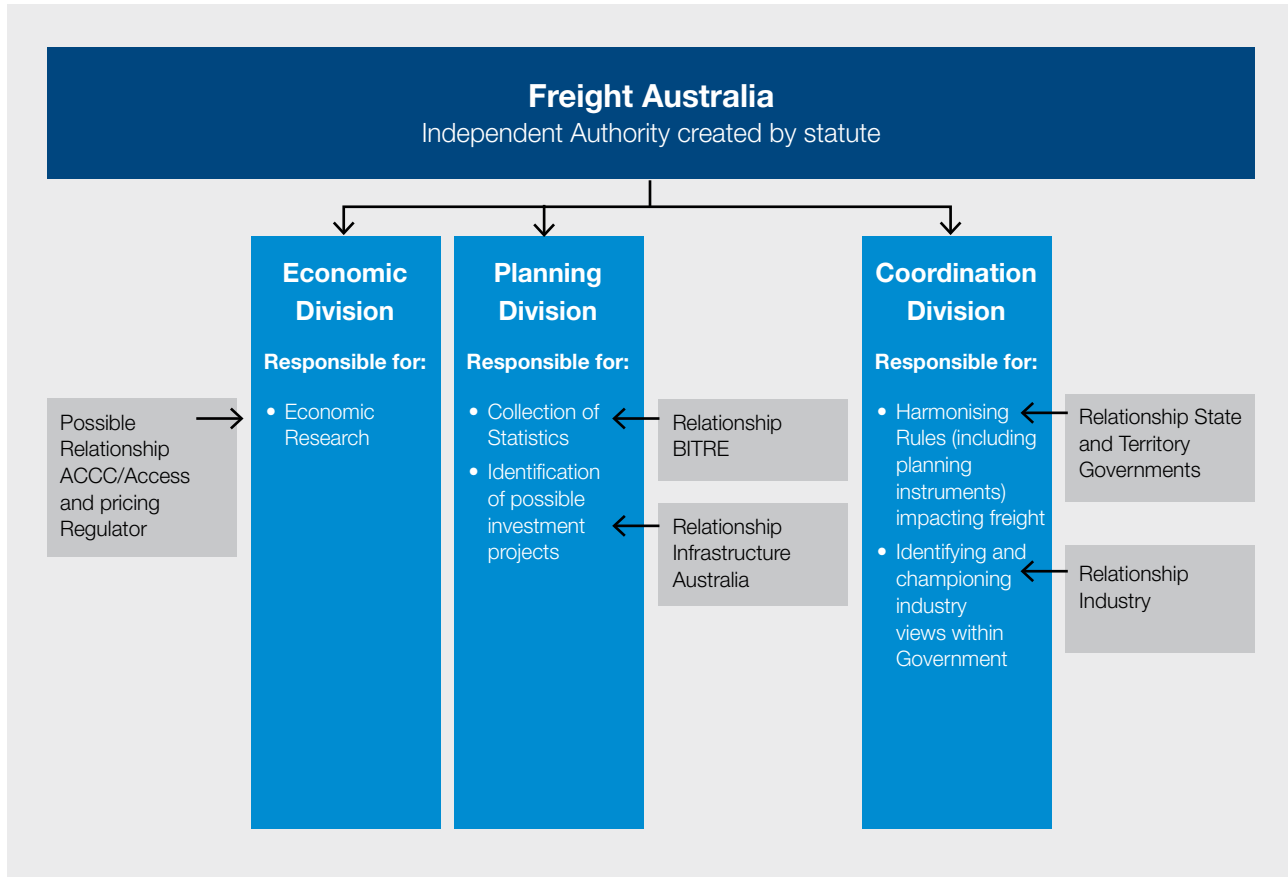
⁵ Drawn from the role description, Deputy Secretary Freight, Strategy and Planning: www.files.jobs.nsw.gov.au/5s55ey

⁶ www.austlogistics.com.au/wp-content/uploads/2015/09/ALC-Submission-to-the-Australian-Infrastructure-Audit.pdf

⁷ www.austlogistics.com.au/wp-content/pdf/submissions/2011/ALC-Response-to-National-Land-Freight-Strategy-Discussion-Paper-6-May-2011.pdf

⁸ Page 6

Such an organisation could look like this:



Note: It is presumed that the Harper proposal for an independent Access and Pricing Regulator will probably be likely to assume any pricing function in the transport area.⁹

The Australian Government can manage the 'achievement' of its policy outcomes discussed in the Discussion Paper as follows:

Freight Australia – Economic Division

This division would deal with these types of issues dealt with in the Discussion Paper:

Vertical separation and access issues

The Discussion Paper notes the view contained in the recent Competition Policy Review (the Harper Review) that there could be 'further scope for reform to address the complexity of access issues and promote improved economic returns through considering the relaxation of 'vertical separation' in marginal rail markets'.¹⁰

Firstly, there should be clarity as to what is meant by the 'vertical separation' of rail operations.

⁹ Australian Government Response to the *Competition Policy Review* (2015):38 (response to recommendation 50)

¹⁰ DP:5

This is because there are a number of different models of separation that could be adopted, including:

- » divestiture or ownership separation;
- » operational separation;
- » functional separation; and
- » accounting separation¹¹

Recent proposed changes in asset ownership have also meant the general issue of the vertical integration of rail assets has been recently discussed by decision makers.¹²

Finally, the Discussion Paper also identifies some successful integrated rail operators (e.g. TasRail).¹³

In its May 2015 Competition Policy Review Feedback Response to the Treasury¹⁴, ALC encouraged decision makers to maintain a measured and reasonable approach when considering this general issue.¹⁵

There are costs and benefits for both vertical integration and separation and so there does not need to be a one size fits all approach, Different approaches may suit different markets and freight tasks.

ALC encourages the consideration of this issue on a case by case basis when the issue arises.

Access regimes

In a November 2014 submission to the Competition policy review, ALC expressed support for a single rail regulator.¹⁶

The main reason was to create a specialised centre of rail expertise that would provide a consistent national approach to key regulatory rules relating to issues such as cost of capital, contracting approaches and network rules when considering access pricing issues. This in turn increases regulatory certainty. In addition, a single national regulator would also reduce duplicated effort by different state regulators.

While regulation may not be necessary on some of the private mineral networks, there is some scope in exploring whether a single access regime could be applied on suitable networks.

Short haul rail

The paper asks whether short haul rail demonstrates market failure characteristics.¹⁷

ALC members are committed to operating in this market sector. Moving more freight to rail, where it makes sense commercially, has the potential to significantly improve freight efficiency, while at the same time, improve urban amenity, reduce road congestion and decrease queuing times at ports.

For example, Asciano has recently announced its new Sydney intermodal strategy, which involves three components designed to drive more freight onto rail from Port Botany. These are:

- » Port shuttles between Chullora and Port Botany.
- » Development of the St Mary's Intermodal Terminal.
- » Improved connections to the Inland Rail Line

The Federal Government has approved the Moorebank Intermodal Company entering into an agreement with SIMTA (a joint venture between Qube and Aurizon) to develop and operate the Moorebank Intermodal Terminal.

The Moorebank intermodal freight precinct will include facilities for transferring interstate freight between rail and road and will enable containers moving between Port Botany and south-west Sydney to undertake much of their journey by rail.

Another project recently announced by industry is a joint venture plan between DP World and Toll, which involves connecting a container staging zone at Port Botany to an intermodal freight terminal at Villawood.

11 Styles discussed in OECD *Background Report on Regulatory Reform in the Electricity Industry* (1999):283

12 For example, see the ACCC Statement of Issues on the Brookfield consortium proposed acquisition of Asciano Limited: <http://registers.accc.gov.au/content/index.phtml/itemId/1188346/fromItemId/750991> and its subsequent view published on 26 November 2015: www.accc.gov.au/media-release/accc-decides-not-to-accept-brookfield%E2%80%99s-proposed-undertakings

13 DP:10

14 <http://austlogistics.com.au/wp-content/uploads/2015/01/ALC-Competition-Policy-Review-Feedback-To-Treasury.pdf>

15 Page 6

16 <http://austlogistics.com.au/wp-content/uploads/2014/11/ALC-Submission.pdf>

17 DP:32

This proposed joint venture between two of Australia's largest logistics operators will improve the efficiency of Sydney's freight supply chains by strengthening linkages between the port and Sydney's logistics heartland.

An agreement has also recently been reached between NSW Ports and Aurizon on the Enfield Intermodal Logistics Centre which will see Aurizon lease land and warehousing at the Enfield site and operate the intermodal terminal.

These examples mean that it is difficult to say there is 'market failure' in the short haul rail area in the sense that there is an exercise of some form of monopoly power or some form of abuse of market power by a particular operator.

However, that is not to say that short haul rail is being used as efficiently as it could be, and that there is no role for government in improving rail share.

As ALC indicated in its 2015 submission to the Victorian Legislative Council Select Committee considering the Port of Melbourne Lease Transaction Bill 2015¹⁸:

Other ALC members report that rail freight services are currently under-utilised.

The lessee of Port Botany, NSW Ports, in conjunction with initiatives from Transport for NSW's Cargo Movement Coordinator is performing a key leadership role to increase the utilisation of rail to and from Port Botany by:

- » *setting a clear target or targets for the increased utilisation of rail freight;*
- » *providing incentives to stevedores to increase containers onto rail freight, which are linked to improving the throughput efficiency of the port through the leasing arrangements;*
- » *ensuring that the efficiency gains are extended throughout the supply chain with road freight integrated into port shuttle or other port-rail links; and*

- » *coordinating industry stakeholders to identify and develop priorities for infrastructure as part of the NSW Ports 30 Year Master Plan process.*

This is an example of where the lessee, with Government assistance, is driving freight chain efficiencies.¹⁹

There is therefore some scope for some further investigation whether there are any structural barriers to utilising short haul rail.

Road pricing reform

Road pricing reform is also part of this discussion.

This is because different approaches to infrastructure pricing for each transport mode has the potential to create market distortions.

ALC supports road pricing reform, but on the proviso that funds collected need to be invested in the infrastructure used by the vehicle (that is, the revenue 'follows the freight').

They cannot be diverted into consolidated revenue for use for other purposes, and that any payments made to a road owner in the form of a CSO payment are transparent.

Ultimately, ALC anticipates that the current historical cost model of funding heavy vehicle specific infrastructure will be replaced by a 'forward looking cost base' that takes a 'life cycle' approach to the infrastructure (with 30 years being estimated as the standard 'life' of an asset), utilising what is known as the 'building block' approach, thus creating a cost-reflective mechanism permitting the recovery of investment in road infrastructure and operations.

ALC notes that the majority of the 'no regrets' work thought necessary by the Transport and Infrastructure Council to advance the project has been concluded.²⁰

¹⁸ www.austlogistics.com.au/wp-content/uploads/2015/09/Submission-on-the-Port-of-Melbourne-Lease-Bill.pdf

¹⁹ Port of Melbourne Lease Transaction Bill submission:10

²⁰ Austroads projects AT 1734 (Deploy and Refine the Road Wear Modelling Methodologies) FS 1892 (Improving Access Through Private Investment in Public Roads) and FS 1923 (Improving HPC Access Through Potential Charging Regimes) have been concluded, whilst projects BF 2041 (Funding and Financing Options for Remote and Regional Roads, Including Developer Contributions) and BF 2041 (Community Service Obligations) are to be completed this financial year, whilst the Transport and Infrastructure Council communique of 6 November 2015 notes that the first editions of the heavy vehicle asset registers and expenditure plans, covering the key freight routes will be published by the end of the year.

ALC also recognises the Commonwealth's intention expressed in its response to the Harper Report, that it proposes to promote efficient investment in and usage of roads in line with other sectors. It also notes that there remains an intention to transition to independent heavy vehicle price regulation by 2017-18, as part of the journey towards cost reflective road pricing for all vehicles.²¹ This intention confirmed in the Statement made by Major Projects, Territories and Local Government Minister Paul Fletcher on 2 December 2015.²²

ALC is also keen to have this work concluded as soon as possible.

However, ALC also notes the Discussion Paper suggests that road and rail transport are 'collaborators rather than competitors', and that while rail may benefit from more cost reflective road pricing in relation to the medium distance non-bulk freight task on the North-South corridor, reform to road pricing will not be a panacea for the rail industry.²³

This thesis (which is not accepted by all ALC members) can be tested in the proposed review suggested in ALC Recommendation 2.

Encouraging transfer of information across transport and logistics chain

Finally, ALC has always supported the introduction of rules and procedures that would permit the transfer of non-proprietary information across the transport and logistics chain, as happens in the Hunter Valley Coal Chain.²⁴

The information sharing and co-ordination of assets would probably need something like an authorisation from the ACCC, so as to ensure that any proposed arrangement does not act in an anticompetitive manner.

An examination should be undertaken as to whether something like the Hunter Valley Coal Chain can be applied in other rail applications.

International evidence suggests that deregulation of the rail sector enhances freight productivity and volume outcomes.²⁵

A hypothetical Economic Division of Freight Australia should manage the development of a comprehensive review of the Australian rail freight industry that examines:

- » whether the recent policy view on the vertical separation of above/below rail networks remains relevant;
- » the need for a single access regime for users of the national freight network;
- » whether there are any structural impediments that impacts the use of short haul rail;
- » price elasticity in the Australian freight market; and
- » steps that can be taken to reduce coordination costs in the rail freight market (including the transfer of non-proprietary information between asset operators).

In the absence of such a Division, the Government should sponsor such a review so that its outcomes, assisted by the National Rail Vision, will allow the Government to finally determine what role it should play in the development of freight rail in Australia.

21 *Response to the Competition Review* (2015): 5 (response to Recommendation 3)

22 <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fhansardr%2F19a0a2a6-673e-4aee-8a78-d39a4d56068c%2F0076;query=id%3A%22chamber%2Fhansardr%2F19a0a2a6-673e-4aee-8a78-d39a4d56068c%2F0000%22>

23 DP: 16-17

24 So as to ensure any arrangement does not end in anticompetitive outcomes, the information sharing and co-ordination of assets would probably need authorisation from the ACCC. An economic division of Freight Australia could possibly perform not only this task, but perhaps approving forward looking investment and maintenance plans by road owners

25 See presentation *The North American Freight Rail Experience Under Deregulation and Implications for the Australian Railroad Industry*, presentation to Ausrail 2015 by ABH Consulting

Freight Australia – Planning Division

The Discussion Paper suggests that one of the Government's policy levers is:

*Targeted investment and ownership arrangements to maximise economic, productivity and safety outcomes on the National Land Transport Network and opportunities for private investment in public infrastructure where feasible;*²⁶

This is an appropriate policy lever where the investment will lead to productivity benefits for the economy.

For instance, the Government is providing \$38m to facilitate the Victorian Port Rail Shuttle²⁷, to create an integrated system operating between Port of Melbourne and suburban intermodal terminals, providing an alternative to the current road based container transfer system in Melbourne, as well as creating the opportunity of improving amenity through the reduction in the number of trucks on the road.

Another example is inland rail.

Inland rail is critical to Australia's freight future given the expectations of the growth in the freight task.

The Inland Rail Implementation Group has finalised its business case and handed it to government.

The business case confirmed economy-wide modelling indicating the Inland Rail Programme will increase gross domestic product by \$16 billion over the 10 year construction period and 50 years of operation.

This project is now developing a high level of industry interest as evidenced by the fact alternative consortia has also sought to have proposals considered.

It is important that the Government continues to actively fund and manage this project so as to bring it to fruition.

While the primary purpose of the inland rail project is to deliver a freight rail corridor supporting high performance trains moving non-bulk domestic freight between Melbourne and Brisbane, it will also improve the productivity and efficiency of the Australian economy as a whole.

ALC believes that any Freight Australia Planning Division would collect (either itself or in coordination with the Bureau of Infrastructure, Transport and Regional Economics) statistics in a manner similar to the TfNSW Freight Strategy and Planning Division.

It could also engage in research in particular projects that may improve freight efficiency.

One such project could be an examination of the need to separate freight and passenger movements.

ALC members report that while there has been some investment in infrastructure such as the development of the Southern Sydney Freight Line, there is a need for greater separation of passenger and freight movements in the larger metropolitan areas, particularly Sydney (particularly Sydney's Northern and Western lines), Melbourne and Brisbane.

Such separation benefits both freight and urban transport, thus producing two benefit streams for one set of capital costs.

Another area of review could be the role played by intermodal terminals within the freight chain.

It is important that regional rail and intermodals are developed in strategic locations so as to allow exporters and importers to utilise different modalities of freight as suits the purposes of their business.

In some circumstances, Commonwealth investment in these facilities may be desirable.

A hypothetical Planning Division of Freight Australia would inform government of possible areas (such as those discussed above) where government investment may be appropriate. The Division would then work with Infrastructure Australia to ensure that any identified project receives the rigorous cost benefit analysis necessary to ensure there is a net public benefit earned by the taxpayer's investment.

²⁶ DP:4

²⁷ Senate Hansard 12 November 2015:38

It would also allow the Government to get 'ahead of the curve' to ensure that any relevant Commonwealth investment comes at the right time, and not behind time.

For example, so as to maximise the efficient movement of freight within the Sydney Metropolitan area, capacity on (in particular) the Southern Sydney Freight Line must be added ahead of demand.

Investment in the Maldon-Dombarton line should also proceed, so that those managing contestable freight commodities have greater choices as new port capacity at Kembla comes on line in grain and bulk liquid storage.

In the absence of such a Division of Freight Australia, the Government could include the issue of the separation of passenger and freight movements in the review discussed earlier.



Freight Australia co-ordination division

Part 4.3.1 of the Discussion Paper deserves to be set out in full:

4.3.1 Progress to Date on Safety and Infrastructure Standards Harmonisation

A number of recent reviews (for example the Productivity Commission 2013 review into the National Access Regime and the Harper Review) have highlighted ongoing concerns with differences in railway gauge, interoperability and regulatory fragmentation.

For example, it has been estimated that complying with multiple environmental regulatory regimes costs the Australian rail industry \$29 million per annum, a third of which is estimated to be a direct or indirect result of unnecessary regulation. In addition, the Minerals Council of Australia estimated that logistics related capacity constraints cost the industry \$17 billion between 2002 and 2007, or the equivalent of 1.6 per cent of nominal national income in 2007.⁴⁸ The multi-jurisdictional regulatory frameworks and variations between them are a key driver of these avoidable costs.

To address these concerns, Ernst and Young suggest that a further stage of national reform work focused on freight rail could prioritise:

- *Harmonisation of all aspects of rail safety laws between states, and providing additional support to the ONRSR to drive the implementation of the Rail Safety National Law in Queensland.*
- *Where economic benefits exist, moving towards a single set of laws across jurisdictions governing environmental regulation, workplace health and safety, workers' compensation, and drug and alcohol testing.²⁸*

It is inferred from the insertion of these observations that the Commonwealth is testing whether to take full leadership for the administration of freight rail in Australia.

ALC rail members have particularly expressed frustration in having to comply with different conditions to operate the same class of asset in different locations.

Moreover, ALC also said in its 2014 submission to the House of Representatives Transport and Infrastructure Committee Inquiry Into Infrastructure Planning and Procedure²⁹:

Rail corridors

Rail members of ALC report that recognition of rail freight needs (particularly the preservation of land for terminals and connections) are often neglected when making land use planning decisions. As a result, the cost of rail connections to mainline and ports can be prohibitive.

There is a need to develop a national terminals strategy to provide some focus so as to promote the efficient development of rail infrastructure.³⁰

It follows that ALC is disappointed that in its report tabled in the Victorian Legislative Council, the Port of Melbourne Select Committee said:

A further logistical issue is that the \$1.68 billion Port Capacity Project does not include any plans for a rail connection to the new Webb Dock container terminal. This terminal is expected to add 1 million TEU to the Port's capacity, all of which is proposed to be handled by road.

The Victorian Government's submission stated that:

Consistent with maintaining strategic flexibility, the State will be preserving rail modal outcomes through maintaining planning controls over existing rail corridors for any future needs (eg. Webb Dock Rail)...

28 DP 24

29 <http://austlogistics.com.au/wp-content/uploads/2014/05/ALC-Submission-to-House-of-Transport-Infrastructure-Committee-Inquiry-into-Infrastructure-Planning-Procurement.pdf>

30 Page 7

However, this statement is misleading for a number of reasons:

- » rail modal outcomes (that is, the share of containers moved from the Port by rail) are declining, and some industry participants such as Qube Holdings, attribute this to a lack of government support for rail
- » preserving the rail corridor to Webb Dock does nothing to preserve rail modal outcomes. The existing rail corridor to Webb Dock was cut off in the mid 1990s and the rail bridge over the Yarra was reassigned to other roles. Preserving the remainder of this corridor does not replace the need for a feasible plan to provide rail access to the Webb Dock terminal
- » if the successful bidder is to develop the existing port to its capacity, Webb Dock will need to be fully utilised. This may involve relocating the current motor vehicle and Tasmanian terminals to other locations. Such developments would magnify the traffic impact of a terminal constructed without feasible rail access.

The Victorian Government's submission does not provide any analysis of these issues. However, participants such as the Rail Freight Alliance insisted that 'planning should be undertaken now for the Webb Dock rail connection'.

The Committee asked DTF [Department of Treasury and Finance] to provide any comprehensive study of the transport implications of the expansion of the Port, and expected that this would include details of such planning. However, it did not provide any such study.

On the basis of the evidence presented, the Committee is of the view that there has been inadequate planning in relation to the road and rail upgrades that would be necessary if the Port expands to the capacity envisaged in the lease documents.

Recommendation 5: The Government:

- a. develop a comprehensive transport plan of the additional links that Port expansion will require
- b. include provision for a rail link to Webb Dock by the most cost-effective means
- c. ensure that local councils and communities are consulted in the planning process³¹

The Coordination Division of Freight Australia would work with the states and territories to both harmonise laws across Australia, or otherwise ensure that the interests of freight are protected in documents such as planning instruments.

However, in the absence of such a Division of Freight Australia, the Government should institute the review proposed by Ernst and Young that identifies all legislation (including planning instruments and the laws requiring environmental approvals to allow asset operation) that impact directly on the operation of rail freight in Australia.

As ALC said in its 2013 response to the National Commission of Audit:

...., there is a case for making one tier of government responsible for a particular area of regulation.

In circumstances where the activity is central to the efficient operation of a national economy (such as the movement of freight), the Commonwealth should have full responsibility referred to it, so there is a single political (and funding) entity

³¹ Parliament of Victoria Legislative Council Port of Melbourne Select Committee *Inquiry Into the Proposed Lease of the Port of Melbourne* (2015): Part 4.4.4: see www.parliament.vic.gov.au/images/stories/committees/pomsc/Other_Docs/PMSC_58-01_Final_report_WEB.pdf

Recommendation

The National Commission of Audit should review 'executive federalism' schemes, such as the scheme establishing the National Heavy Vehicle Regulator and make recommendations as to whether responsibilities should be referred to the Commonwealth given its role in the management of the national economy.³²

ALC therefore believes this review should take place as a priority.

An entity such as Freight Australia could exercise any powers referred to the Commonwealth.

Alternatively, if the applied law model is to be retained, the South Australian legislation establishing the Office of National Rail Safety Regulation could be amended so that agency can make the relevant decisions.³³

However, whatever option is taken, work needs to be expedited to harmonise Australian law that regulates the movement of freight by rail.

Conclusion

ALC is pleased the Government is showing greater leadership in this area.

The creation of Freight Australia as outlined in this submission would be a clear statement of intent.

Failing that, the Government should institute a review into the operation of the Australian rail freight industry as well as the review of other pieces of legislation impacting rail freight generally, as recommended by Ernst and Young, and discussed above.

Consideration of these reports, together with the National Rail Vision would mean the Government would be able to develop the policies that will provide national leadership in this important area of the Australian economy.

**Australian Logistics Council
December 2015**

³² Page 5. See: <http://austlogistics.com.au/wp-content/uploads/2013/11/ALC-response-to-Commission-of-Audit.pdf>

³³ This would probably lead to the authority being renamed the National Rail Regulator.

APPENDIX

Possible functions and responsibilities of Freight Australia, as contained in ALC Response to the National Land Freight Strategy (2011)³⁴

- a. commissioning and analysing data to determine the type of regulatory environment and infrastructure needed to meet the freight task in, say, 20 years.
- b. objectively analysing total demands on the network and developing a long-term plan to improve performance of whole corridors and the network, taking into account freight and passenger volumes; and
- c. identifying infrastructure of national significance for the purposes of the NFP [National Freight Plan];
- d. determining the way in which intermodal facilities away from destination points can be developed;
- e. developing the inland ports concept;
- f. identifying blockages affecting the transport and logistics chain and report progress in removing them, in much the same way as the COAG Reform Council reports progress on the seamless economy agenda. The identification of blockages can 'shame' relevant entities into action. The ALC document *Infrastructure Programs for Addressing Supply Chain Blockages* identified 23 supply chain blockages affecting supply chain efficiency. This could be used as a template.
- g. advising Infrastructure Australia as to whether a particular piece of infrastructure should receive funding;
- h. perform the functions of the agency anticipated by Recommendation 68 of the Henry Review;
- i. acting as the government entity responsible for encouraging the transfer of non-proprietary information across the transport and logistics chain; and
- j. acting as a 'champion' for the logistics industry within Government. This would include:
 - i. ensuring information requirements of agencies such as Customs, AQIS and security agencies are practical and not too burdensome;
 - ii. ensuring that the interests of the transport and logistics industry are recognised as government policy is developed. For example, government should ensure that road pricing mechanisms flowing from the Henry Review or the COAG Road Reform Plan do not lead to inefficiencies.

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Honorary Fellows

- Ingilby Dickson, March 2015
- Ian Murray AM, March 2012
- Paul Little AO, February 2011

- Peter Gunn AM, February 2011
- Ivan Backman AM, May 2010
- David Williams OAM, May 2010