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FOR THE AUSTRALIAN LOGISTICS COUNCIL

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# **TOWARDS AN EFFICIENT FREIGHT FUTURE**

**A REVIEW OF PROGRESS IN TACKLING BLOCKAGES  
TO FREIGHT EFFICIENCY**



This report was prepared for the Australian Logistics Council by Economic Connections Pty Ltd. The authors of the report are Anthony Ockwell, Lindsay Jacob, Barry Moore and Jane Reynolds.

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This report is based on the information available at the time of writing.



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# Executive Summary

The Australian Logistics Council (ALC) requested Economic Connections Pty Ltd to provide a critical assessment of progress by governments in improving supply chain efficiency over the past four years.

The report focussed on the extent to which there has been movement on the 23 supply chain blockages identified in the ALC report Australia's Supply Chains – Fixing the Blockages (2008).

It is more than three years since that report was published, and ALC believed it was timely for a stock-take to be undertaken analysing the extent to which Infrastructure Australia's key documents, including their infrastructure priority lists, have given appropriate consideration to the priorities identified by ALC.

## Key findings

From our review of reports on infrastructure priorities and strategy documents prepared by Infrastructure Australia and submitted to government for consideration, it appears that some progress has been achieved against many of the initial set of 23 blockages identified by ALC Members, including areas of regulatory and institutional reform. However, many seemingly high profile issues do not appear to have shown much progress over the term covered by Infrastructure Australia's (IA) reports to government.

While progress has been achieved, this does not suggest that all blockages have been eliminated to provide a fully integrated and efficient transport system. Further action will be required by all levels of government, with the cooperation of industry, to realise such an outcome over time.

In undertaking the review, we arrived at a set of key recommendations.

## Recommendations

Targeted action is required to ensure tangible progress to ease constraints to transport efficiency. The following recommendations are proposed to assist the ALC in guiding this process to address the blockages they have identified.

**Recommendation 1:** ALC should encourage IA and governments to:

- » Undertake transparent and detailed public reporting of progress with implementation of the numerous national strategies and infrastructure proposals IA has recommended. This should also include reporting of projects that were deemed to be of low priority but were, nevertheless, funded at the expense of higher priorities.

**Recommendation 2:** ALC should play a leading role in ensuring that IA and governments:

- » Translate national strategies into implementation agendas that contain practical actions jurisdictions will undertake to ensure the freight and logistics sector can meet its major challenges into the future;
- » Develop implementation agendas that include specific actions, accountabilities and timeframes ('who does what by when'); and
- » Endorse key actions at the highest possible level, preferably COAG, so they are seen as commitments.

**Recommendation 3:** ALC should consult with IA to develop a report on outcomes for projects submitted to government as part of the “Ready to Proceed” Priority List. This could assist industry and promote productivity gains by allowing industry to better plan their investment decisions:

- » This should include an implementation path for initiatives agreed by government and a timetable for completion
- » The report should note where responsibility for implementation of an initiative rests and factors contributing to delays in progressing action on that initiative
- » Projects that do not receive funding due to budget constraints should also be monitored as priorities for future action.

**Recommendation 4:** ALC should promote the principle that access to Commonwealth infrastructure funding should be conditional on delivery of key reforms for the freight and logistics sector, and for this to happen:

- » Actions to be delivered need to be practical and measurable;
- » There needs to be regular public reporting of progress;
- » IA should be requested to undertake such monitoring; and
- » ALC may also wish to monitor progress and report via its website.

**Recommendation 5:** ALC should reinforce to the Commonwealth and IA the importance of a vibrant coastal shipping sector and the implications of impediments to its improved performance:

- » IA needs to ensure that the emerging National Freight Strategy supports a positive and growing role for coastal shipping, and that specific actions to achieve this are recommended.

**Recommendation 6:** ALC should support a role for IA in facilitating difficult national reforms. Two of the most difficult areas are service provision and efficient pricing. To date the focus on pricing has been on heavy vehicle charges; however, heavy vehicles are generally a relatively small component of total traffic on most key routes. Measures to improve urban congestion to deliver better travel times, reliability and infrastructure productivity, depend on addressing light vehicles (especially cars), as well as heavy vehicles. Further, there are broader issues of access to infrastructure, pricing and service delivery across modes and users. Otherwise, reform of heavy vehicle pricing is akin to creating ‘islands of rationality in a sea of irrationality’.

- » Governments in cooperation with industry need to ensure that reforms lead to gains in the delivery of services surrounding infrastructure access and use, including efficient pricing.
- » IA should take the lead in seeking national agreement to developing a series of real-time road pricing trials covering light and heavy vehicles. This should commence with a national approach to undertaking desk-top modelling of a series of road pricing scenarios in each of the congested capital cities.

**Recommendation 7:** Building on the lessons of the last three years, ALC should now review, consolidate its concerns and identify where there is likely to be the greatest payoff in terms of enhancing freight/ logistics efficiency, reliability and competitiveness into the future. Such analysis should also consider the costs associated with delays in the implementation of actions to address key blockages. This is likely to be a mix of infrastructure projects, and policy, planning, institutional, funding, regulatory, pricing and management reforms. It should then ask how it can best pursue these reforms in an integrated approach.

- » ALC should work closely with all levels of government, particularly at the state/territory level, to identify and develop proposals for action to improve transport efficiency.

# Background

The Australian Logistics Council (ALC) requested Economic Connections Pty Ltd to provide a critical assessment of progress against an earlier report prepared for ALC *Australia's Supply Chain – Fixing the Blockages*, which identified four priority action areas requiring urgent attention to improve supply chain efficiency. These priority areas encompassed 23 blockages requiring action to improve supply chain efficiency. Specifically, the ALC asked ECON to:

- » Review the original *Australia's Supply Chain – Fixing the Blockages* report to assess the extent to which the priorities identified in the report have been acted upon by state or federal governments, and the overall relevance of these blockages in light of current perspectives of a sample of ALC members
- » Provide an assessment of Infrastructure Australia's key infrastructure reports (including the Infrastructure Priority Lists and its Port and Freight Strategies) to evaluate the extent to which IA has given appropriate consideration to the 23 supply chain blockages identified by ALC in the 2008 report.

This report seeks to update the earlier report by examining progress achieved to date in addressing the 23 blockages identified by ALC. The 23 blockages were grouped by ALC into the following four priority action areas:

- » Preparing the rail system for future challenges
- » Regulatory consistency
- » Corridor access to ports, airports and intermodal terminals
- » Clearly articulated freight transport plans.

We were asked to undertake a “desk-top” review of the various reports published by IA. At the same time, in our analysis of issues, reference to other relevant documents was included as part of the analysis to support the discussion of issues and to arrive at a “reasonable” assessment of progress against each of the 23 blockages.

Future work could focus on undertaking detailed analysis of progress or gaining insights into reasons or factors contributing to lack of progress on some issues. It is suggested that this should be undertaken as a separate activity to enable industry to work collaboratively with governments and assist in resolving these factors where possible.

## Broad Assessment of Progress in Addressing Blockages

We reviewed the IA priority lists documented in each of its reports to government for the years 2008 to 2011, as well as progress with developing freight-related strategies. In its initial report to Government, IA noted that it had received over 600 submissions for consideration. We did not review all 600 submissions but focused our attention on those initiatives included in the priority lists prepared by IA. A summary of the main progress that has been achieved for each of the 23 blockages since the earlier report was prepared for the ALC (ALC 2008) is provided in Tables ES1 to ES4 grouped according to the four priority action areas identified by IA.

The main problem encountered in assessing progress was the lack of readily available information on implementation of recommendations forwarded by IA to government, or the timeline for such action. Hence, if IA were to prepare a report on progress with implementation of initiatives this could enable industry to better plan its own investment activities. On this basis, the assessment should not be seen as definitive or absolute at a given point in time but rather as indicative of progress along a continuum of reform and infrastructure development in the context of competing priorities and funding constraints facing each blockage.

For the most of the blockages identified by the ALC, some progress has been achieved or is underway to ease many of the impediments to freight efficiency. However, this does not mean to infer that the blockage as expressed by ALC members has been fully addressed to the satisfaction of users. One of the problems with the blockages as defined by the original 'Fixing the Blockages Report' is that for the most part the issues tend to be defined fairly broadly. For example, the ALC noted the north-south rail network as an important blockage to freight efficiency. The NSW Government, in cooperation with ARTC, submitted a proposal to IA for improvement of the rail line between Strathfield and Broadmeadow – the Northern Sydney Freight Corridor (NSFC). An agreement has been signed between the NSW Government and the Australian Government to commence work on the NSFC. This, together with the Southern Sydney Freight Line (SSFL), should lead to a significant improvement in rail service in this corridor.

Hence, to assert that progress has been achieved for the NSFC may not be consistent with industry's perspective for the north-south rail corridor as a whole when other constraints to achieving a "fully efficient" north-south rail operation prevail, such as limited passing loops, passing loops of inadequate length, sections of track requiring concrete re-sleepering to accommodate higher axle loadings, lack of double-stacking capability, etc. The assessment is designed to note that, based on the information readily available some progress has been achieved.

Further, many of the initiatives to tackle a blockage require long lead times – planning, design, technical and economic analysis, assessment and approval processes, allocation of funds, etc. Hence, in many cases, it is not feasible to assign "full marks" for completion for a transport system that faces a highly dynamic environment. A key issue is to assess what level of progress is considered "reasonable" over the approximate three-and-a-half years since the initial report, as addressing many of the blockages is a "work-in-progress".

Notwithstanding this, from the analysis of the priority lists developed by IA, many seemingly high profile issues do not appear to have shown much progress over the term covered by IA's reports to government. There could be several factors contributing to this, such as: lack of detailed information on which to make an assessment either by the proponent or as contained in the proposal presented to IA, time required to clear the various decision-making requirements of different agencies, lack of funding to support the proposal based on shared funding arrangements, or change in policy/priorities by the proponent. For example, many of the port related initiatives seem to have remained fairly static over the period: Port of Hastings, Abbot Point Multi-Cargo Facility, Bell Bay Port/Intermodal Terminal, and Oakajee Port.

As a corollary to the above point, there appears to be a general lack of accountability surrounding the further development of initiatives once included in the Priority List. Many of the initiatives included in the 2008 Priority List did not remain in the Priority List in later years. Perhaps this reflected the early impetus associated with the creation of IA, an ambit claim for funding of projects and the subsequent realisation that the demand for funds far exceeded the supply. At the other end of the spectrum, for projects that are deemed "Ready to Proceed", it is difficult to glean reliable information on "where to from there?"

While Priority Lists provide guidance on which projects should be considered for action, the revolving nature of the priority lists provide little indication of which projects should be undertaken; i.e., a "must do" list essential for improving transport efficiency. This may also allow a clear line of sight for such projects and minimise the risk of political maneuvering and the substitution of low priority projects to suit other agendas.

This then raises a related issue of implementation path and timetable. While there may be agreement by governments to progress "Ready to Proceed" projects, there appears to a lack of follow through in subsequent reports on outcomes or implementation paths to provide stake-holders with information on milestones for completion or enactment of initiatives. The determination of an implementation path and transparent monitoring of progress would seem to be an essential requirement in the life of an initiative – whether a specific project or a broader strategy – and an important element of accountability and responsibility for achieving agreed outcomes. Fundamentally, the bridge between methodologies, plans and assessments on one hand, and implementation on the other, needs to be reduced.



**TABLE 1: Preparing the Rail System for Future Challenges**

Blockage	Progress
<p><b>Resources Rail network.</b> Develop the rail network that is needed to serve a rapidly growing resources sector.</p>	<p>Three initiatives identified but no specific proposals endorsed by IA for action by Government.</p> <p>Several actions – operational and infrastructure – have been implemented to improve efficiency of the Hunter Valley Coal Chain. The Commonwealth Government in collaboration with the ARTC has allocated funds to improve the rail network through the Hunter Valley.</p> <p>For the period 2008-12, QR planned to invest \$2.1 billion to upgrade capacity for the Queensland coal rail network. E.g., QR has allocated \$185 million to the Goonyella rail system to lift coal haulage capacity.</p> <p>In 2008, BHP commenced a \$1.0 billion rail improvement program for the Pilbara.</p>
<p><b>North-South Rail Network.</b> Improve the service standards on the main North-South rail corridor to permit it to operate at a level at which rail will be used for a greater share of the Melbourne-Brisbane freight task.</p>	<p>ARTC is proceeding with construction of the Southern Sydney Freight Line (SSFL) as part of its \$2.1 billion North-South improvement program which was commenced in 2005. Other initiatives include concrete re-sleepering, passing loops/lanes and the development of Automatic Train Management System (ATMS). In December 2008, the Federal Government allocated a further \$1.2 billion to support ARTC's program to improve the North-South rail corridor.</p> <p>In 2011, the Commonwealth and NSW signed an inter-government agreement to proceed with the Northern Sydney Freight Corridor as a jointly funded project between the Federal (\$840 million) and NSW (\$214 million) governments.</p>
<p><b>East-West Rail Network.</b> Expand the capacity of the East-West rail network to ensure that future growth can be accommodated without a deterioration of service standards.</p>	<p>Main projects that have secured funding include extension/upgrading capacity of passing loops (\$32 million), re-railing of track (\$407 million) and re-sleepering (\$253 million).</p> <p>Appears to be a lack of initiatives to allow double stacking of containers in tunnels through the Adelaide Hills.</p>
<p><b>Grain Networks.</b> Clearly define the role of rail in the future carriage of grain exports and upgrade grain networks to ensure that this role can be performed efficiently.</p>	<p>NSW Grain Freight Review and WA Grain Freight Network Review both completed.</p> <p>In its 2011 Budget, the NSW Government allocated \$159 million to rail improvements on the Country Regional Network which meets the Government's response to the NSW Grain Freight Rail Review.</p> <p>The WA Government has committed \$178.8m over four years to bolster the state's grain freight network. The funding package is in addition to the Federal Government's commitment of \$135m announced in the 2010-11 Budget.</p>



**TABLE 2:** Corridor Access to Ports, Airports and Intermodal terminals

Blockage	Progress
<p><b>Shipping Channels.</b> Ensure that shipping channels serving all major ports are capable of serving the vessels of the size needed to carry our international trade efficiently.</p>	<p>A National Ports Strategy has been developed. It provides a potential mechanism to ensure channel needs are identified in a timely way. COAG has requested the Infrastructure/Transport Ministerial Council to develop an associated implementation plan for the strategy. This should include firm and explicit commitments to ensure channel needs are identified and priorities considered in infrastructure budgets.</p> <p>Several shipping channel proposals are being assessed by IA, e.g. Oakajee. More should be anticipated.</p>
<p><b>Identify Inter-Modal Terminal (IMT) Sites.</b> Identify the sites for strategic development in all major cities and ensure that these sites are protected for future development.</p>	<p>Raised by IA as an on-going concern. Several proposals submitted to IA including Moorebank, Donnybrook, Bell Bay, Abbot Point, Port of Melbourne Freight Terminal and Smart Port ICT.</p> <p>Sydney Inter-Modal Terminal Alliance (SIMTA) proposal for Moorebank has been endorsed for action. The Commonwealth Government has allocated \$70.7 million to complete the detailed planning of Moorebank. Staged redevelopment of the hub is expected to start in 2013.</p>
<p><b>Protect Access Corridors.</b> Define and protect the road and rail corridors to all significant ports and strategic IMTs.</p>	<p>Against a background of poor freight access protection, corridor definition and protection is receiving positive attention through existing and developing national strategies. This includes the foreshadowed National Infrastructure Corridors Strategy, which needs to be developed as a priority. The Commonwealth's National Urban Policy commits to requiring state planning and protection of economic infrastructure corridors, sites and buffers in order to be eligible for Commonwealth infrastructure funding.</p>
<p><b>Concessional Limits.</b> Implement a programme of concessional limits for heavy road vehicles serving intermodal terminals to encourage the complementary use of road and rail modes.</p>	<p>No systematic national approach to the provision of concessional limits for heavy vehicles serving intermodal terminals. This is an issue that could be progressed by the National Heavy Vehicle Regulator.</p>
<p><b>Short Haul Rail.</b> Develop short haul rail routes linking urban IMT's and container ports to allow efficient rail operation, including where possible freight only tracks and provision for double-stacking.</p>	<p>IA has stressed the need for dedicated rail links and guaranteed access paths for short haul rail freight in urban areas (i.e., port to terminal). This also requires clear planning of terminals and access reservations.</p> <p>Apart for planning surrounding Moorebank terminal and the Victorian freight plan, there appears to be little progress on this issue.</p>

**TABLE 3: Developing Clearly Articulated Freight Transport Plans**

Blockage	Progress
<p><b>Transport Plans.</b> Build on and integrate the AusLink corridor strategies and the Infrastructure Australia Agenda to provide a clear and comprehensive plan for transport infrastructure of national importance, including port access links.</p>	<p>There has been considerable progress centred on development of the National Ports Strategy and the National Freight Strategy. The latter is still under development and must be robust and practical. Most importantly, the Ports and Freight Strategies must elicit firm commitments to deliver essential on-the-ground reform agendas and improvements within a reasonable timeframe.</p>
<p><b>Develop Comprehensive Strategies.</b> Develop comprehensive freight and logistics strategies covering both rural and urban freight movements in all states. Developing clearly articulated freight transport plans.</p>	<p>There has been on-going implementation of investment strategies to improve the National Network including the Hume and Pacific Highways.</p> <p>There is also major progress at the moment with the development of the National Freight, Port and Urban Strategies. Their quality will colour state-based strategies. Much depends on implementation plans, where the 'rubber hits the road' in terms of freight improvements.</p> <p>The Commonwealth has sought to tie tranches of its infrastructure funding to State implementation of reforms. This needs to be supported.</p>
<p><b>B-double &amp; B-triple Networks.</b> Accelerate the definition and implementation of a national B-Triple network and ensure that the B-Double network is extended to allow access from all significant production facilities to major freight routes.</p>	<p>The National Land Freight Strategy Discussion Paper does not make specific reference to the development of a national network for B-doubles and B-triples. There is general discussion surrounding the need for improved planning for freight networks. The expectation is that the National Heavy Vehicle Regulator should progress this issue.</p>
<p><b>Fast Track Planning.</b> Effectively implement in each State fast-track planning processes for transport infrastructure of strategic economic significance.</p>	<p>Despite reforms by several jurisdictions to fast track the planning/approval process for projects, there appears to be a lack of progress for many proposals submitted to IA for consideration and returned to proponents for further analysis. The key factors contributing to such delays are unknown.</p>
<p><b>Rest Areas.</b> Provide sufficient rest areas on all major highways to allow effective fatigue management while minimising any impact on the productivity of road haulage operations.</p>	<p>The Commonwealth Government has allocated \$70 million through the Heavy Vehicle Safety and Productivity Program for the development, among other activities, of rest areas.</p>
<p><b>Climate Change.</b> Undertake a comprehensive national assessment of the effect of climate change on transport infrastructure and develop strategies for managing this effect to minimise the impact on infrastructure cost and reliability.</p>	<p>IA has raised the need for proponents to explicitly include options to assess the potential consequences of climate change on infrastructure. However, there appears to be a lack of initiatives to tackle head-on options to mitigate potential impacts of climate change. IA has argued the case for greater consideration to be given to road pricing to better manage urban congestion but this is yet to be taken up.</p>
<p><b>Coastal Shipping.</b> Develop coastal shipping policies to accommodate environmentally sustainable and efficient freight transport growth.</p>	<p>The Commonwealth has tabled bills relating to improving the Australian shipping industry, including coastal shipping in Australian vessels. There is a risk that current policy directions may not improve overall efficiency of coastal shipping in the context of growth in the freight task with potential impacts on dependent industries and on freight diversion to land transport. IA needs to incorporate an effective role for coastal shipping in its Ports and Freight Strategies.</p>

**TABLE 4: Ensuring Consistency in Regulation**

Blockage	Progress
<p><b>Open Access Regimes.</b> Ensure that, wherever practical, all significant new transport infrastructure is subject to an open access regime, and develop improved regulatory processes to reduce the delays and costs to access seekers and access providers.</p>	<p>IA has argued the case for open access to infrastructure, and the need for reform to ensure efficiency in the use of resources while recognising the role of pricing to ensure adequate return to owners of such infrastructure (terminals, rail, ports). This is an issue for competition policy, with the most recent case being focused on access by competitors to rail infrastructure in the Pilbara, with BHP/RIO being required to allow other mining companies to use their rail infrastructure.</p>
<p><b>Streamline PPP Approvals.</b> Develop streamlined PPP approval processes to facilitate private investment in transport infrastructure.</p>	<p>Greater private sector, including superannuation, investment in transport infrastructure is essential. IA's Infrastructure Financing Working Group will be critical and its recommendations must be translated into better practice by all governments. Community and industry antipathy towards high value tollroads must be addressed, as this could impede private investment.</p>
<p><b>Uniform Rail Standards.</b> Implement nationally uniform technical, safety and communications standards for rail operations.</p>	<p>Adoption of the National Rail Safety Legislation and the creation of the National Rail Safety Regulator should remove regulatory inconsistencies currently faced by rail operators who operate across borders.</p>
<p><b>Road Pricing.</b> Reform road pricing to facilitate the efficient use of road vehicles and appropriate allocation of the freight task between road and rail.</p>	<p>The COAG Urban Congestion Review argued the case for trials on road pricing. IA has also supported the use of road pricing to better manage demand for urban road networks. Substantial action is yet to be achieved on this issue. It is an issue that requires a coordinated a national approach, and hence needs to be progressed through COAG/SCOTI.</p>
<p><b>High Productivity Vehicles.</b> Reduce the regulatory barriers to the introduction of innovative high productivity vehicles.</p>	<p>The Standing Council on Transport and Infrastructure was asked to approve a set of recommendations to simplify the Performance Based Standards (PBS) scheme and to improve the likelihood of network access for PBS vehicles. Road access for Higher Mass Limits vehicles is still unnecessarily limited in some jurisdictions. This may improve with the creation of the National Heavy Vehicles Regulator.</p>
<p><b>Over-dimension Vehicles.</b> Adopt nationally consistent and less burdensome regulation to reduce the costs associated with the movement of over-dimension vehicles.</p>	<p>Over-dimensional transport is generally only permitted for the movement of large, indivisible items that cannot be broken down and transported within prescriptive dimensional limits. Regulations often vary from jurisdiction to jurisdiction. This is an issue that needs to be addressed by the National Heavy Vehicle Regulator to ensure consistency in interpretation and applicable of regulations governing access to road networks by these vehicles.</p>
<p><b>Harmonise Fatigue Management.</b> Harmonise legislative processes and regulatory arrangements associated with the implementation of the national fatigue management system.</p>	<p>It is difficult to make an assessment of fatigue policy outcomes until the detail of the Heavy Vehicle National Law is available. It is expected that the implementation of the National Road Safety Regulator should lead to more consistent enforcement of fatigue provisions.</p>

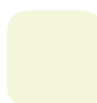


PHOTO:  
Courtesy of  
Sydney Ports  
Corporation

# Strategic Observations

Our analysis of ALC's 23 blockages against the IA Priority Lists and the national strategies relating to ports, freight and urban areas, leads us to the following strategic observations:

» **Accountability:** IA has introduced welcome rigour into development and assessment of infrastructure proposals at the national level, and this is bearing fruit. A challenge is translating recommendations into actions. There is lack of progress on a number of seemingly high profile issues with many projects hanging there for years and a growing backlog. There is often no clear implementation path. In its June 2011 Report to COAG, IA criticised governments for inadequate progress with improving infrastructure planning, pricing, funding, demand management etc. While governments' primary responsibility is clear, they have also made advances, and IA could play a stronger role in turning methodology and plans into actions.

**IA's Role:** We make two broad suggestions for a stronger role for IA. First, that IA undertakes transparent and detailed public reporting of progress with implementation of the numerous national strategies and infrastructure proposals IA has recommended. This should also include reporting of projects that were deemed to be of low priority but were, nevertheless, funded at the expense of higher priorities. In reporting on progress with implementation of its recommendations, IA should also assess the opportunity costs associated with delays/lack of implementation of key recommendations to improve transport efficiency. Second, IA needs to do more to assist states' implementation of reforms; especially those that are complex, cross-jurisdictional or contentious. For example, IA played a positive role in supporting development of the cross-jurisdictional National Smart Managed Motorways Trial (see p.43). IA needs to play a stronger facilitating role in bringing governments together to tackle difficult issues, such as road pricing, initially through championing national desk-top modeling of road pricing scenarios, followed by a series of trials. IA's funding has improved recently and it is to be hoped that they have adequate resources to undertake this expanded role.

» **National Strategies:** Considerable resources are being devoted to development of national policies and strategies. These include the Commonwealth's National Urban Strategy, IA's National Ports Strategy, National Freight Strategy, its proposed National Infrastructure Corridors Strategy and outcomes from the Infrastructure Financing Working Group. The COAG Reform Council is also reviewing capital cities' strategic planning systems. These are vital initiatives and a considerable step forward, as they have the potential to 'lock in' all governments to delivering key reforms and improvements for the freight and logistics sector. They cannot be allowed to 'gather dust'. They need firm implementation paths, agreed by the responsible governments and agencies at the highest levels, with funding sources identified, and transparent reporting of progress.

**IA's Role:** As noted above under "Accountability", IA could play a positive role in facilitating the implementation of national strategies. This could be included in an annual "Report on Progress". Otherwise, like many strategy documents before, time passes and dust settles.

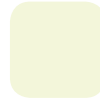
» **Conditional Funding:** The Commonwealth is making tranches of its infrastructure funding conditional on states achieving specific reforms, e.g. that each capital city has in place, by 2014, a 20 year freight strategy consistent with the National Land Freight Strategy and National Ports Strategy. This is a positive move as it creates a 'lever', giving real 'teeth' to the reform process.

**IA's Role:** Delivery of outcomes based on conditional funding needs to be monitored to ensure it works.





PHOTO: Courtesy of Sydney Ports Corporation



- » **Coastal Shipping:** The performance of coastal shipping is critical in terms of meeting the growing freight task. If its efficiency and reliability does not improve, and even falls, then this will impact on the industries reliant on coastal shipping and on the load that land transport has to perform if cargo shifts to land transport. There is a risk that the Commonwealth's coastal shipping policy may weaken coastal shipping's overall relative efficiency with potential impacts on the rest of the transport system. Coastal shipping must be considered as an integral and vital part of the transport system with an important role in meeting the growing freight task.

**IA's Role:** The development of a National Land Freight Strategy is a welcome move. It needs to progress into a National Freight Strategy that also incorporates a positive role for coastal shipping in order to develop a national multi-modal approach to tackling the growing freight task.

- » **Funding:** The supply of funds for worthwhile projects needs to be increased. In addition to budget appropriations, private sector funding needs to be pursued, including through road pricing. Road pricing would also complement actions required to help tackle transport emissions and their potential role in climate change. This would necessitate consideration being given to location, vehicle type and time of day pricing in urban areas. Policy developments in heavy vehicle charging could pave the way for trials being conducted on urban motorways (for both light and heavy vehicles) based on variable pricing to better manage congestion. However, road pricing should not proceed independently of reforms to taxes and charges currently paid by road users including the possible imposition of a carbon tax on heavy vehicles beyond 2014, or to road agencies delivering outcomes to facilitate access by high productivity vehicles. There also needs to be allocation of some revenues from the Minerals Resource Rent Tax (MRRT) to fund infrastructure priorities.

**IA's Role:** IA could assume a positive role in analysing the benefits of increased funding to the wider economy. Further, proposals by jurisdictions and the private sector to conduct trials on road pricing need to be encouraged and explicitly facilitated by IA, recognising that IA has already identified road pricing as a priority policy area not only in terms of climate change but also as a means to improve the efficiency with which existing infrastructure is used. IA's national role should hold it in good stead to drive and facilitate positive changes in policy and practice.

- » **ALC:** ALC has provided a solid stock-take of constraints impacting transport efficiency and their likely effects on Australia's international competitiveness. Their list of blockages covers a diverse set as it reflects the wide range of Members' activities and interests. It serves an important role in advising jurisdictions on which areas should receive focus in policy and funding.

**ALC's Role:** ALC needs to build from the foundation of its 23 blockages and the lessons of the past three years. It could now review, consolidate its concerns and identify where there is likely to be the greatest payoff in terms of enhancing freight/logistics efficiency, reliability and competitiveness into the future. This would require drilling down to the next level and identify specific initiatives that should be tackled as a high priority to address a given blockage. In undertaking this analysis, consideration needs to be given to the costs associated with delays in implementing actions to address key constraints to transport efficiency. This is likely to involve a mix of infrastructure projects, and policy, planning, institutional, funding, regulatory, pricing and management reforms. It should then ask how it can best pursue these reforms in an integrated approach. Part of this will be closer relationships with the states, which have responsibility for the network, to help identify and develop infrastructure proposals for IA's consideration. Part of it will be ensuring that relevant national strategies are effective and have clear accountabilities, implementation paths and 'teeth'.

# Update on ALC Priorities

In February 2012, ALC invited members to provide an update of the earlier set of blockages. While it is recognised that this reflects a subset of Members, and does not suggest that all of the earlier blockages have been attended to, the responses do highlight a number of on-going concerns of industry. The major issues raised by a number of respondents were identified as:

- » Protecting access corridors to ports and terminals
- » East-west rail corridor
- » North-south rail corridor
- » Identifying sites for inter-modal terminals in urban areas,
- » Improved access for higher productivity vehicles, and
- » Developing transport plans that recognised the interaction between transport and land-use, and the need to provide access for freight vehicles for urban freight distribution. A related point was the need to fast-track planning processes.

In regard to the north-south and east-west rail corridors, however, it is worth noting the significant program of works in place by the ARTC since 2008. While some issues raised by Members remain unresolved at this time (such as double stacking of containers), the ARTC commented that the current investment program will lead to improved service quality on these corridors, as well as for the Hunter Valley.

The forecast growth of our major cities does place greater need for urban planning and strategies to facilitate the efficient movement of freight within and through metropolitan areas, including better congestion management strategies. Related issues for urban freight efficiency are increasing the development of open access inter-modal terminals and preserving access paths for both road and rail to those terminals.

Other blockages that were reinforced as priorities included the following:

- » Resources rail network
- » Grain rail networks
- » Short-haul rail (servicing the Port of Hastings)
- » Development of B-double and B-triple networks
- » Incorporate risk analysis in infrastructure planning and development that takes account of climate change, and
- » Uniform rail standards, including standardisation of the Victorian bulk grain network.

A common theme that flowed through several responses, and related to many of the issues above, was the need for greater consistency in regulations both within and across modes, including OH&S regimes.



# 1. Introduction

In May 2008 the Australian Logistics Council (ALC) published *Australia's Supply Chain – Fixing the Blockages* (ALC 2008) which identified four priority action areas requiring urgent attention to improve supply chain efficiency. These were:

- » Preparing the rail system for future challenges
- » Regulatory consistency
- » Corridor access to ports, airports and intermodal terminals
- » Clearly articulated freight transport plans.

As part of the study, ALC also tabled 23 supply chain blockages and examined how they relate to the four infrastructure priority action areas, including the steps involved to alleviate these blockages. Since the report was published, there have been significant changes in the infrastructure landscape, most notably, the establishment of Infrastructure Australia which has been tasked with identifying and prioritising nationally significant infrastructure projects.

The Australian Logistics Council (ALC) requested Economic Connections Pty Ltd (ECON) to provide a critical assessment of progress in tackling the blockages detailed in their earlier report (ALC 2008). Specifically, the ALC asked ECON to:

- » Review the original *Australia's Supply Chain – Fixing the Blockages* report to assess the extent to which the priorities identified in the report have been acted upon by state or federal governments, and the overall relevance of these blockages in light of current perspectives of a sample of ALC members
- » Provide an assessment of Infrastructure Australia's key infrastructure reports (including the Infrastructure Priority Lists and its Port and Freight Strategies) to evaluate the extent to which IA has given appropriate consideration to the 23 supply chain blockages identified by ALC in the 2008 report.

We were asked to undertake a “desk-top” assessment based on available IA reports and information. This report comprises the following:

- » Section 2: Outline of the approach adopted by ECON to the study
- » Section 3: Evaluation of progress in addressing institutional, regulatory and infrastructure impediments as identified by IA in their reports to Government
- » Section 4: Broad assessment of outcomes
- » Section 5: Update on ALC Priorities
- » Section 6: Strategic observations and Section 7: Recommendations, in which key points for consideration for ALC are raised in tackling the reform agenda to improve transport efficiency.

We appreciate that many of the issues raised in this report warrant more detailed analysis and discussion. Future work could focus on undertaking detailed analysis of progress or gaining insights into reasons or factors contributing to lack of progress on some issues. We have sought to maintain a high level strategic focus to the issues rather delving into the merits or otherwise of individual initiatives.



PHOTO:  
Courtesy of  
Sydney Ports  
Corporation



## 2. Approach

The approach we adopted was very much a review of the various reports published by IA. We focused our attention on the IA priority lists documented in each of its reports to government for the years 2008 to 2011, as well as IA's strategies relating to freight and ports and the Commonwealth's National Urban Policy. At the same time, in our assessment of progress on blockages, reference to other relevant documents was included as part of the analysis to support the discussion of issues and to arrive at a "reasonable" assessment of progress against each of the 23 blockages. "Reasonable" in this context was taken to infer a balanced perspective in light of the background surrounding an issue, and processes required in some instances to tackle an issue. At each step, we consulted ALC on the key learnings emerging from the review.

At our Inception Meeting with ALC, we sought agreement on the proposed approach and the need to maintain a high level strategic focus on outcomes and future directions. Hence, the initial task was to undertake a stock-take of the infrastructure priorities identified by the ALC in their 2008 report (*Australia's Supply Chain – Fixing the Blockages*) and to align those blockages with projects included in IA's priority lists to Government. In this sense, "projects" were taken to include infrastructure, institutional, policy and regulatory reform initiatives.

One of the early challenges encountered in undertaking the assessment was defining the concept of "progress". The primary reason for this relates to the lack of a clear line of sight from submission of a proposal, its inclusion in the IA "Ready to Proceed" priority list to government and implementation of the initiative (including funding/resourcing and a timeframe for completion or enactment). A similar argument applies to the national strategies that are being developed. Even if a strategy is a sound evidence-based articulation of key problems and proposed solutions, its real benefits lie in its ability to influence decision-making and deliver real 'on-the-ground' benefits. In many cases, it is too early to tell with the emerging national strategies, so we need to identify key bridges to real improvements, such as agreement to detailed implementation paths.

Short of examining budget papers by all relevant project-tied jurisdictions, which in itself does not provide clear implementation paths for initiatives, there is often no clear indication of outcomes pursuant to the IA process. This could be taken up by IA by providing reports on "final outcomes" for projects on the "Ready to Proceed" list in subsequent years. The importance of this is heightened during years of fiscal restraint, as government(s) attempt to return budgets to surplus following the large deficits incurred as a result of the Global Financial Crisis.

One of the problems with the blockages identified in the 2008 blockages paper is that for the most part the issues tend to be fairly broad in nature. Consequently, to conclude that progress has been achieved for a specific site covered by a given blockage may not be consistent with industry's perspective for that blockage when problems at other sites or factors to achieving a "fully efficient" transport activity continue to prevail for that blockage. The assessment is designed to note that, based on the information readily available, progress is/ not being made to improve freight efficiency.

The approach adopted enabled us to develop a set of strategic observations which helped to form a number of recommendations for consideration by ALC. These are high level in nature designed to facilitate policy debate around issues central to improving freight transport efficiency deriving from the IA process and governments' attempts to ease blockages that contribute to the costs of shippers and end-users of freight transport services. We consider this perspective to be more important than commenting on the "grass roots" issues of individual initiatives. The purpose of the report, therefore, is to focus on the main lessons emerging from this review of the IA process to date and related areas of reform.

# 3. Infrastructure Australia Priorities

Since its inception, Infrastructure Australia (IA) has provided four reports to government detailing its assessment of priorities for investment in infrastructure and other initiatives (i.e., institutional and regulatory reforms). This chapter attempts to align those priorities with the 23 blockages identified by ALC in order to provide an assessment of progress in tackling those priorities. In seeking to do that, the analysis was constrained in several ways:

- » First, while IA provides recommendations to government, there is a lack of accountability in subsequent reports in terms of decisions by government(s) on whether to proceed, including timeframe, with those priorities
- » Second, there appears to be no development of a high priority or “must do” list of projects that are carried over as a result of budget constraints, although it is recognised that events can overtake previously defined priorities
- » Third, the time provided for the project did not allow analysis of budget papers by jurisdictions or of factors contributing to delays in progress.

IA itself noted that demand for funds is “beyond the financial resources of government and industry” (IA 2008), and that “it is disappointing that more projects have not ‘moved to the right’ on the Infrastructure Priority List, and particularly disappointing that only one new project has moved into the ‘Ready to Proceed’ category” between 2010 and 2011 (IA 2011). IA also commented that a number of projects failed to move into the ‘Ready to Proceed’ for “failing to clear basic hurdles”. It is also worth recording that in 2008, IA received some 600 submissions. We did not access those 600 submissions and have focused our attention on those initiatives included the priority lists.

While there may not be any discernible progress in actions to tackle some blockages, this does not infer that responsibility for implementation rests with IA. IA makes recommendations to government. Beyond that, responsibility for implementation could reside with COAG, ATC, the Federal Government, State/Territory Governments and/or other parties including industry. This highlights the earlier points regarding lines of responsibility, accountability and implementation paths. However, IA could perform a stronger facilitation role with implementation, e.g. detailed reporting of progress and assistance with complex, cross-jurisdictional reforms.

Despite these qualifications the following assessments provide a summary of progress by initiative against the 23 ALC Blockages. An additional qualification to the assessment is that not all projects assumed simple categorization by blockage and that some flexibility had to be applied to ensure “best fit”.



## BLOCKAGE 1

### Resources Rail Network: Develop the rail network that is needed to serve a rapidly growing resources sector.

**ISSUE:** Over the past decade, the resources sector has sustained a rate of growth and investment unparalleled in Australia's post WWII history (RBA 2009). In recent years, this growth has cushioned Australia from the full impacts of the Global Financial Crisis, and the expectation is that investment in the resources sector will reach a level of around 7 per cent of GDP over the next few years (RBA 2011). Over the five years to end June quarter 2011, Australia's export earnings from the resources sector increased by 90 per cent to \$AUD47 billion (RBA 2011). The ABARES index of volume of mine production for the resources sector increased from 115.2 in 2002-03 to 124.9 in 2009-10 (Australian Bureau of Agricultural and Resource Economics 2011).

Rail track constraints continue to hinder the capacity of producers to shift commodities in all jurisdictions except the Northern Territory (MCA 2011). With coal production forecast to expand, the Fisher Taskforce recognised that rail infrastructure would likely emerge as a more serious constraint in meeting export demand in the longer term (Exports and Infrastructure Taskforce 2005). The MCA identified Gippsland Coal, Mt Isa-Townsville and the Hunter Valley, among others, as priority areas for investment in rail to support growth of the coal industry (MCA 2011). The related issues impacting rail efficiency are those of loading and unloading facilities, as well as landside access to ports.

With debate recently focused on the introduction of the Minerals Resource Rent Tax from 1 July 2012 (Australian Government 2010), given the multiplier effects on the economy from exports and mining sector investment, there is a strong argument that part of the additional revenue from the MRRT should be directed toward transport infrastructure to support expansion of the resources sector.

**DISCUSSION:** Gippsland Coal, Hunter Valley Coal Chain and Mt Isa/Townsville Corridor were all listed by ALC in 2008 as "projects [which] will be subjected to further analysis ... Infrastructure Australia will continue to work with governments and relevant bodies to finalise a prioritised list" (IA 2008). On this basis, those three project proposals were recognised as projects which clearly address a nationally significant issue or problem (see IA 2008). However, despite that recognition, the only proposal that appeared to remain on the radar was the Mt Isa/Townsville Corridor which in 2011 was deemed an "... initiative [which] address(es) a nationally significant issue or problem, but the identification or development of the right solution is at an early stage" (IA 2011). The other two projects were not listed in subsequent investment priorities lists of proposals by IA. However, the Northern Sydney Freight Corridor (NSFC – see Blockage 2) did receive funding for further development work and analysis, and included scope to ease rail constraints in transporting coal from the Hunter Valley to Port Kembla.

**PROGRESS:** In collaboration with the Hunter Valley Coal Chain Coordinator, gains in the efficiency of rail movements through the Hunter Valley to the Port of Newcastle have been advanced through the Hunter Valley Investment Strategy. The Strategy aims to increase the carrying capacity of the network from 85 million tonnes of coal per year in 2005 to 226 million tonnes per year in 2013 (ARTC 2005). The Commonwealth Government in collaboration with the ARTC has also allocated funds to improve the rail network through the Hunter Valley.

For the period 2008-12, QR planned to invest \$2.1 billion to upgrade capacity for the Queensland coal rail network. E.g., QR has allocated \$185 million to the Goonyella Rail System to lift coal haulage capacity. In 2008, BHP commenced a \$1.0 billion rail improvement program for the Pilbara.

## BLOCKAGE 2

### **North-South Rail: Improve the service standards on the main North-South rail corridor to permit it to operate at a level at which rail will be used for a greater share of the Melbourne-Brisbane freight task.**

**ISSUE:** The total north-south inter-capital (Melbourne-Sydney-Brisbane) freight task increased by 46% from 19.54 billion t-km in 2001 to an estimated 28.45 billion t-km in 2010 (BITRE 2006). Over the same period, rail's modal share declined from 19.4% to an estimated 16.5%. The main constraints to rail productivity in this corridor have been assessed as inferior transit times, poor reliability relative to rail but comparable on relative price terms (NTC 2008). At the same time, BITRE (2006) has forecast average annual growth rates for total inter-capital freight over the period 2003-2020 of 3.6% for Melbourne-Sydney, 3.7% for Sydney-Brisbane and 4.0% for Melbourne-Brisbane.

QR (QR 2008) has argued that the main issues impacting rail performance in this corridor relate to southern (including morning and evening curfews) and northern access to the Sydney rail network, infrequent passing loops. QR has estimated that poor reliability has cost rail's market share between 2% (Melbourne-Sydney) and 10% (Sydney-Brisbane).

**DISCUSSION:** The NSW Government submitted a proposal to IA for the Northern Sydney Freight Corridor (NSFC) to improve the capacity and reliability for freight trains on the Main North Line between North Strathfield and Broadmeadow, Newcastle. The proposal included grade separation, track amplification, and passing loops to provide sufficient additional network capacity to meet long-term freight and passenger business requirements. The key objectives of the proposed program of works were to reduce the potential for delays on the rail network caused by freight and passenger trains competing for the same tracks between Sydney and Newcastle, and to prepare the rail freight network to meet the forecast demand for containerised goods generated by population growth in this corridor (Transport for NSW 2012).

ARTC is proceeding with construction of the Southern Sydney Freight Line (SSFL) to provide dedicated freight access between Birrong and Macarthur.

Other projects scheduled for the north-south rail corridor include: concrete re-sleepering, increase capacity and frequency of passing loops/lanes, and the development of Automatic Train Management Systems (proposal before IA).

**PROGRESS:** ARTC has now selected contractors to deliver the final stage of the Southern Sydney Freight Line (SSFL) as part of its \$2.1 billion North-South improvement program which was commenced in 2005. In December 2008, the Federal Government allocated a further \$1.2 billion to support ARTC's program to improve the North-South rail corridor.

In 2011, the Commonwealth and NSW signed inter-government agreement to proceed with the Northern Sydney Freight Corridor as a jointly funded project between the Federal (\$840 million) and NSW (\$214 million) governments.

## BLOCKAGE 3

### **East-West Rail: Expand the capacity of the East-West rail network to ensure that future growth can be accommodated without a deterioration of service standards.**

**ISSUE:** The total east-west inter-capital (Brisbane-Sydney-Melbourne-Adelaide-Perth) freight task increased by 49% from 12.71 billion t-km in 2001 to an estimated 18.90 billion t-km in 2010 (BITRE 2006). Over the same period, rail's modal remained static at around 59-60%. BITRE has forecast that the rail freight task will increase at an average annual rate of 3.3% from 8.46 billion t-km in 2003 to 14.60 billion t-km in 2020.

**DISCUSSION:** The two main constraints to rail productivity in this corridor relate to infrequency/inadequacy of passing loops and inability to accommodate double stacking from Sydney/Melbourne into Adelaide (NTC 2008). A third constraint relates to track alignment through the Adelaide Hills, which is also tied to the issue of double stacking. Several options have been proposed for improving the section of track through the Adelaide Hills but at this stage there appears to be no commitment to precede with re-alignment of the track or by-pass this section.

**PROGRESS:** The main projects which have secured funding include:

- » Extension/upgrading capacity of passing loops (\$32 million) for the Melbourne-Adelaide corridor, as well as new and extended passing loops for the Adelaide-Kalgoorlie corridor,
- » Re-railing of track (\$407 million)
- » Re-sleepering (\$253 million) of the Parkes to Broken Hill section, and
- » Further development of the ATMS project received additional funding for Phase 2.



## BLOCKAGE 4

### **Grain Networks: Clearly define the role of rail in the future carriage of grain networks to ensure that this role can be performed efficiently.**

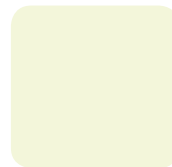
**ISSUE:** Resourcing of the rail network for grain transport was raised by the ALC as a priority in 2008, and was acknowledged by IA in their initial listing of projects that warranted further consideration. At the same time, the Department of Infrastructure and Transport commissioned consultants to undertake a review of grain transport in WA; a similar review was conducted of grain transport in NSW.

**DISCUSSION:** The Federal Government's NSW Grain Freight Review (NSW Grain Freight Review 2007) made a series of recommendations concerning regional freight rail lines used for grain transport which supported the retention and maintenance of the majority of regional rail lines considered in the Review. The Review concluded that nine out of the 13 regional branch lines considered in the Review should be retained, and that the NSW Government should fund any necessary works to stabilise these lines at an acceptable level. The Review suggested that for some of the lines, funding of works should be managed through a cost sharing arrangement between the NSW Government and relevant parties (see NSW Parliamentary Library Research Service 2009).

In IA's Report to ATC in 2011 (IA 2011), the South West Bunbury Infrastructure Project was noted under the category of "Real Potential". This project included upgrading the capacity of the rail line between Brunswick Junction and Collie, and between Brunswick Junction and Port Bunbury. At this stage there are negotiations underway to establish Port of Bunbury to export grain of around 2.0 million tons a year.

**PROGRESS:** The IA priority lists did not make any reference to grain lines recommended for retention and upgrading by the NSW Grain Freight Review. Further, it appears that none of the rail upgrades suggested in the WA Grain Freight Network Review (SDD Consult 2009) has been included in the IA priority list of projects.

In its 2011 Budget, the NSW Government allocated \$159 million to rail improvements on the Country Regional Network which meets the Government's response to the NSW Grain Freight Rail Review. The WA Government has committed \$178.8m over four years to bolster the state's grain freight network. The funding package is in addition to the Federal Government's commitment of \$135m to WA announced in the 2010-11 Budget.



## BLOCKAGE 5

### **Shipping Channels: Ensure that shipping channels serving all major ports are capable of serving the vessels of the size needed to carry our international trade efficiently.**

**ISSUE:** Shipping channels at Australia's major ports are critical links in our supply chains for exports and imports. State port corporations are responsible for port planning. Due to the national importance of ports, Infrastructure Australia and the National Transport Commission (NTC) were commissioned by the Commonwealth Government to develop a National Ports Strategy, which was released in January 2011. The Strategy covers both bulk and container ports. ALC supports the Strategy as a way to improve long-term planning of major ports to ensure they are able to meet expected growth in trade in an efficient way.

While not making much explicit commentary on channel planning, the Ports Strategy identifies long-term planning (minimum of 15-30 years) of capacity requirements, based on specific assumptions about vessel size, as a key issue. The Strategy also comments that major port-related projects of economic significance should be nominated for strategic assessment to facilitate streamlined planning approvals and environmental impact approval processes etc.

Major channel deepening projects, especially in urban ports where waterways are a shared resource, can be complex and time-consuming exercises in planning, approval and implementation. Negotiating arrangements on cost sharing can also delay appropriate investment. The Melbourne channel deepening project, completed in late 2009, is an example of the difficulties in approval and implementation. This points to the importance of long-term planning to ensure timely identification of future channel requirements and facilitation of major project approvals and cost sharing. Channel deepening proposals, generally as one component of port upgrading, are being submitted to IA for assessment as economically justified investments. Most jurisdictions also now have established arrangements, such as coordinator-generals, to facilitate major project processes and approvals.

**DISCUSSION:** Channel deepening projects, especially driven by bulk exports, are being proposed to IA for assessment and funding with Oakajee being the most advanced. A 'pipeline' of proposals should be expected in the future as export volumes and ship sizes grow. Consequently, it is important that COAG's response to the National Ports Strategy elicits firm and explicit arrangements at state-level to improve long-term port planning, including timely identification of channel requirements and mechanisms to fast-track planning, approvals and to secure funding.

COAG endorsed the need for a national ports strategy in February 2011, as an integral part of the developing National (Land) Freight Strategy (see IA 2011). Infrastructure Australia's 2011 Infrastructure Priority list contains several international gateway proposals that include channel deepening components - these are generally driven by bulk resource export growth; e.g., the Oakajee multi-functional port proposal north of Geraldton (WA). The 2009 Commonwealth Budget made provision for a possible \$339 million equity injection pending IA's recommendation of the project. IA has identified the Oakajee project as of strong economic and strategic merit but requires several outstanding issues to be resolved.

**PROGRESS:** The National Ports Strategy provides a potential mechanism to ensure channel needs are identified in a timely way. COAG asked the relevant Ministerial Council (the Standing Council on Transport and Infrastructure) to complete an implementation plan for a final national ports strategy by August 2011 for out-of-session endorsement by COAG. The endorsed implementation plan is not yet public. This needs to be based on long term planning and include firm and explicit commitments to ensure channel needs are identified and considered in infrastructure budgets.

## BLOCKAGE 6

### **Identify IMT Sites: Identify the sites for strategic development in all major cities and ensure that these sites are protected for future development.**

**ISSUE:** The development of inter-modal terminals with efficient road and rail access has been a continuing area of major concern for industry. While the development of many intermodal sites appear to be market-driven initiatives by key players, particularly in NSW, the effectiveness of these sites in contributing to overall supply chain efficiency will depend, in part, on clear statements by governments on both locations and access paths. This is likely to be an on-going issue for ALC.

**DISCUSSION:** In its initial report to COAG, IA stressed the importance of ports and terminals to the efficient movement of freight by “increasing the productivity of Australia’s international gateways, making sure that they can meet the rapidly growing freight task without adverse impacts on community amenity” (IA 2008). In this context, IA stressed the need for better planning (see Blockages 10 and 11) to deliver infrastructure where it is required in a more timely fashion by aligning processes used by key stakeholders (jurisdictions and private sector). While IA has also argued the case for integrated freight systems comprising ports, terminals and shuttles, this places the imperative on strategic planning with clear implementation paths to secure locations for the development of such inter-modal terminals as well as access paths for road and rail between such sites (see Blockage 7).

In 2009, the Moorebank Inter-modal terminal was recognised as a priority to assist promoting the attainment of the above objective.

The National Land Freight Strategy discussion paper (2011), identified as a key direction the “development of intermodal terminal capacity (both rail to road and road to road) in capital cities and other locations”. At a boarder level, several submissions were received by IA to enhance port capacity.

**PROGRESS:** Apart from Moorebank (NSW), several other proposals have been put forward to IA for further development, including: Donnybrook Intermodal Hub (VIC), Bell Bay Intermodal Terminal (TAS), Abbot Point Multi-Cargo Facility, Smart Port ICT and Port of Melbourne Freight Terminal. At a broader level, several ports have been nominated for (re-development): Port of Hastings, Oakajee Port, Eyre Peninsula Port and Hobart Port Waterfront Redevelopment.

Sydney Inter-Modal Terminal Alliance (SIMTA) proposal for Moorebank has been endorsed for action. The Commonwealth Government has allocated \$70.7 million to complete the detailed planning of Moorebank. Staged redevelopment of the hub is expected to start in 2013.



PHOTO: Courtesy of Sydney Ports Corporation



## BLOCKAGE 7

### Protect Access Corridors: Define and protect the road and rail corridors to all significant ports and strategic IMTs.

**ISSUE:** Protection of key access corridors involves several major factors – long-term identification of key freight corridors, preservation of new corridors in long-term land use planning legislation and land acquisition, and protection of existing corridors from inappropriate land uses, encroachment and consequent conflict with passenger traffic. Over many years, there has been inadequate protection of major freight access corridors with severe encroachment through poor land use planning. More recently, governments have attempted to improve this situation.

There are good examples at a state level of corridor protection. The Port of Hastings (Vic) Port Land Use and Transport Study identified the transport access required for the port to meet long-term trade growth, including integration with regional, state and national transport networks, logistics facilities and markets.

**DISCUSSION:** There is considerable strategic activity underway now to improve corridor protection. IA's National Ports Strategy identifies a number of recommendations for COAG endorsement, including identification of strategic National Port Freight Corridors and integration of freight corridors into relevant city or regional transport planning. In its submission to the National Freight Strategy, ALC emphasised its concern that a new National Land Freight Network must be more than lines on a map. ALC indicated that the new network had to be forward looking in order to identify future corridor needs, and for freight and passenger needs to be considered in an integrated way, as often freight shared the network with a larger volume of passenger traffic.

IA's National Land Freight Strategy must include firm actions for COAG endorsement designed to identify and protect key freight corridors. IA, in its June 2011 Report to COAG, indicates that it is developing a National Infrastructure Corridors Strategy in consultation with jurisdictions. It is aimed at improving corridor identification and protection, including opportunities of co-location of road, rail, telecommunications and energy infrastructure to contain costs and dislocation. IA's infrastructure priority list also identifies a number of proposals designed to improve freight performance on key corridors.

The Commonwealth's National Urban Policy and COAG's examination of city planning, possibly hold the key to improved urban freight corridor protection. The Commonwealth has committed to a set of actions to require planning and protection of economic infrastructure corridors, sites and buffers in order to be eligible for Commonwealth infrastructure funding. This includes that each capital city is to have in place by 2014 a freight strategy consistent with the National Ports Strategy and National Land Freight Network.

**PROGRESS:** There have been positive strategic initiatives to protect freight and logistics corridors since 2008. However, actual on-the-ground improvement depends substantially on how the raft of national strategies by IA and the Commonwealth are translated into practical action agendas and timeframes to which COAG commits. IA's National Infrastructure Corridors Strategy needs to be developed as a priority. The Commonwealth's approach to tie delivery of freight and port improvements and corridor protection to funding is welcomed. ALC needs to engage actively with the Commonwealth and states to ensure such action agendas are developed and published, and progress with implementation is carefully monitored and published so the link to funding is a strong lever for improvement.

## BLOCKAGE 8

### **Concessional Limits: Implement a programme of concessional limits for heavy road vehicles serving intermodal terminals to encourage the complementary use of road and rail modes.**

**ISSUE:** Effective use of rail requires, in addition to an efficient rail service, the efficient delivery of product, usually via road transport, and the efficient transfer of that product to rail. This process can be facilitated through the use of road vehicles that can best match the weights and dimensions that can be carried by rail.

Heavy vehicle weights and dimensions have generally been derived from road parameters, both geometric and load bearing, rather than to service the intermodal market. For the most part, these restrictions are necessary to enable the safe and sustainable use of the road network. However, there are circumstances where greater flexibility can be provided in road vehicle dimensions to allow for more effective intermodal freight transport, without adverse road safety or infrastructure impacts.

Variations in heavy vehicle weights and dimensions to allow for efficient intermodal operations may require:

- » route restrictions - to limit higher productivity vehicles to suitable parts of the existing road network
- » network modification – to provide for higher axle masses and/or modified vehicle dimensions
- » pricing mechanisms – to ensure appropriate cost recovery
- » time-of-day restrictions – to minimise conflicts with light vehicle traffic.

**DISCUSSION:** There is no systematic national approach to the provision of concessional limits for heavy road vehicles serving intermodal terminals (IMT). Further, the use of concessional limits for heavy road vehicles serving IMT's does not feature in any of the IA reports that were reviewed.

Victoria has undertaken a trial of High Productivity Freight Vehicles (HPFVs) between the Port of Melbourne and the west and north of Melbourne and also in the Portland area. The trial allows vehicles of up to 30 metres long and with a gross weight of up to 77.5 tonnes. This allows the carriage of two 40-foot containers (compared to a conventional B-double which can carry one 40-ft and one 20-ft container) and provides higher loading of commodities such as grain, mineral sands and woodchips. It is understood that uptake of the Victorian trial has been low due to restrictive operating conditions and limited route access.

In November 2010, the Queensland Department of Transport and Main Roads approved the operation of a A-Doubles capable of carrying two 40-foot containers or four 20-foot containers along the Toowoomba – Port of Brisbane freight corridor.

It is expected that implementation of the National Heavy Vehicle Regulator (NHVR) will lead to the more consistent application of concessional mass limits for heavy road vehicles serving IMT's.

**PROGRESS:** Given the lack of real progress on concessional mass limits, this is an issue that should be progressed by the NHVR. The NHVR is expected to commence operation on 1 January 2013. However, while the NHVR should be a "one-stop shop" for this and other issues surrounding heavy vehicle access to the road network by HPFV's, much will depend on the resources available to the NHVR to progress implementation of decisions on these issues.

## BLOCKAGE 9

### **Short Haul Rail: Develop short haul rail routes linking urban IMT's and container ports to allow efficient rail operation, including where possible freight only tracks and provision for double-stacking.**

**ISSUE:** Short-haul rail is used here to refer to urban rail freight transport rather than regional rail services (see Carter 2008). To date, short-haul rail services between ports and intermodal terminals have played only a minor role in freight transport in Australia. Sydney Ports Corporation's has set an objective to increase rail's modal share to to/from Port Botany to at least 600,000 TEU (or 40% of total TEU's) by 2010-11 (and over 900,000 TEU per year by 2020-21) from an estimated 330,000 in 2001-02 (Access/ Maunsell 2003). This reflects the emerging interest in surrounding the greater use of short-haul rail for freight transfers in urban areas arising from increasing levels of congestion, greater globalisation of economic activity contributing to high forecast rates of freight movements through ports, and declining liveability of cities associated with such growth. This has generated the need for better integrated planning involving the public and private sectors to develop more options that contribute to transport efficiency while meeting government's triple bottom line objectives (see FIRE/USDoT 2003).

**DISCUSSION:** In their submission to the Independent Pricing and Regulatory Tribunal (IPART), the CRT Group argued that the key lesson learned from the earlier and now defunct Melbourne Port shuttle operation was that "... the market place will not support metropolitan rail services when road transport is a much cheaper alternative, principally as a result of the differential charges levied on shipping containers at the port" (CRT Group 2007). In contrast, CRT Group (2007) also argued that the higher level of road congestion in Sydney worked in rail's favour since much of the heavy vehicle traffic accessing Port Botany uses routes such as the M5 and M4.

In its 2008 Report to Government, IA (IA 2008) gave recognition to the important role that the use of rail shuttles from container ports to intermodal freight terminals could play in reducing urban congestion and increasing the efficiency of freight movements in urban areas. IA also stressed the need for dedicated rail links/ guaranteed path access, and the need for planning of terminals and access reservations. IA noted that there have been problems in the past with the viability of rail shuttles which have been partly due to inadequate infrastructure links, but also to access at the ports, access to rail and the reliability of train paths.

In 2009, the Victorian Government submitted a proposal to IA for the development of a new central freight terminal. The Metropolitan Freight Terminal Network (MFTN) concept provides for the transfer of international cargo between the Port and three principal road-rail intermodal terminals to the west, north and south-east of the Port of Melbourne to reduce congestion in and around the Port. The concept incorporates provision for the use of High Productivity Freight Vehicles (HPFV) to reduce truck movements into/out of the Port as well as short-haul (shuttle) rail services between the Port and intermodal terminals (VIC DoT 2010).

**PROGRESS:** IA has stressed the need for dedicated rail links and guaranteed access paths for short haul rail freight in urban areas (i.e., port to terminal). This also requires clear planning of terminals and access reservations. Apart for planning surrounding Moorebank terminal and the Victorian freight plan, there appears to be little progress on this issue.

## BLOCKAGE 10

### **Transport Plan: Build on and integrate the Auslink corridor strategies and Infrastructure Australia's agenda to provide a clear and comprehensive plan for transport infrastructure of national importance, including port access links.**

**ISSUE:** ALC considers that a plan for transport infrastructure of national importance needs to include several key elements:

- » identification of the roads, rail lines, ports, terminals, depots and corridors that are considered to be of national importance, based on current and forecast freight volumes and values;
- » long-term forecasts of the ability of national infrastructure to meet future needs, based on an analysis of projected demand compared to the condition and adequacy of infrastructure;
- » rigorous assessment of infrastructure deficiencies that considers the full range of solutions and is not modally biased; and
- » coordination of all the tools available to government – including planning, governance, funding, regulation, management, facilitation of new technology and pricing – to ensure that plans lead to real on-the-ground improvements for industry and that national infrastructure can effectively and efficiently meet future needs.

Considerable progress has been achieved since 2008 by Infrastructure Australia (and NTC) with the support of States, Territories and the Commonwealth through:

- » current development of a National Freight Network and National Freight Strategy, as part of a developing Integrated National Transport Plan;
- » development of a National Ports Strategy; and the
- » Reform and Investment Framework, as a merit-based methodology to identify, assess and prioritise worthwhile proposals aimed at improving national infrastructure.

However, IA is broadly critical of jurisdictions' strategic infrastructure planning and their approach to project assessment. It is unclear to what extent IA has used the AusLink corridor strategies. These studies examined the current and future condition and adequacy of each of the corridors of the National Land Transport Network over the longer-term (20-25 years). They were generally undertaken during 2006 and 2007 as collaborative exercises between the Commonwealth and respective States and Territories with input from industry and other stakeholders, backed by commissioned research. They are multi-modal and address both freight and passenger issues. While requiring update, they provide a valuable resource to understanding the pressures on a potential National Freight Network.

**DISCUSSION:** This has been a high priority issue for IA. There has been considerable progress centred on development of the National Ports Strategy and the National (Land) Freight Strategy. However, there are some concerns. The final National (Land) Freight Strategy must deliver a robust national framework that positions the logistics industry to take on the challenges of the next 20-25 years. It should build on the efforts already made by industry and governments and not 'reinvent the wheel'. As freight shares significant sections of the network with a larger volume of passenger vehicles, the strategy cannot treat freight as a 'silo'.

**PROGRESS:** There has been considerable progress centred on development of the National Ports Strategy and the National Freight Strategy. The latter is still under development and must be sound and practical. Most importantly, the Ports and Freight Strategies must elicit firm commitments to deliver essential on-the-ground reform agendas and improvements within a reasonable timeframe.

## BLOCKAGE 11

### **Develop Comprehensive Strategies: Develop comprehensive freight and logistics strategies covering both rural and urban freight movements in all states. Developing clearly articulated freight transport plans.**

**ISSUE:** Most jurisdictions have, or are, developing freight strategies. These range from whole-of-jurisdiction down to specific strategies for particular parts of the freight network. These have tended to focus on the infrastructure network, although there is an evolution into a more comprehensive approach also covering regulation, land use, operational issues and pricing.

IA has been critical of governments over their progress in improving strategic planning, infrastructure planning, policy development, project evaluation, pricing reforms, demand management and funding. This is the tenor of IA's June 2011 Report to COAG. IA comments that projects are still being presented to it that do not align with the proponent's own strategic directions and plans. IA continues that while governments are investing a significant amount on infrastructure, much of the debate around infrastructure is project-specific such that systemic issues and policy development are debated much less effectively (IA 2011).

**DISCUSSION:** IA and the Commonwealth have/are developing initiatives to improve state freight and logistics strategies:

- » Implementation of investment strategies for the National Network.
- » The National Ports Strategy recommends a range of actions, responsible agents and timings. COAG has requested development of an implementation plan for this strategy.
- » IA is also developing the National Land Freight Strategy, and also increasing its regional strategic focus with the aim of improving regional productive capacity. Its intention is to work with regional groups to support regional planning to improve regional wealth-creation, including through a Regional Infrastructure Fund and IA's Infrastructure Priority List.

- » In May 2011, the Commonwealth released its National Urban Policy. It contains a number of initiatives to improve urban freight planning. These include requiring, as a condition of funding for the second Nation Building Program, that each capital city has in place, by 2014, a 20 year freight strategy consistent with the National Land Freight Strategy and National Ports Strategy. Under this approach, key bottlenecks and pressure points are to be identified; land use planning systems must adequately provide for freight terminals and transportation corridors, including buffer zones, and take into account ports and aviation freight hubs; and freight planning and decision-making must focus on achieving whole-of-supply chain productivity gains.
- » The COAG Reform Council has been asked to review capital city strategic planning systems against agreed national criteria, which will among other things, seek to improve productivity. Their report is scheduled for release in the near future. In August 2011 COAG agreed that jurisdictions will respond within six months to the COAG Reform Council's assessment.

There is no shortage of strategies affecting freight and logistics. The critical issue is whether they are worthwhile in terms of positioning the sector to meet current and future challenges.

**PROGRESS:** There has been significant and on-going investment in improving the north-south road network encompassing the Hume and Pacific Highways. There is also major action at the moment with the National Freight, Port and Urban Strategies. Their quality will colour state-based strategies. Much depends on implementation plans, where the 'rubber hits the road' in terms of freight improvements. The Commonwealth has sought to tie tranches of its infrastructure funding to State implementation of reforms. This needs to be supported.

## BLOCKAGE 12

### **B-Double and B-Triple Networks: Accelerate the definition and implementation of a national B-Triple network and ensure that the B-Double network is extended to allow access from all significant production facilities to major freight routes.**

**ISSUE:** The use of B-Triples and B-Doubles provides significant productivity gains over the use of smaller vehicles and has been demonstrated to be safer than double and triple road trains (Pearson 2010). B-doubles have been in use in Australia for many years and have become the ‘workhorse’ vehicle for long haul road freight. However, their access to production facilities over the ‘last kilometre’ of the road network has been limited.

The Council of Australian Governments (COAG) directed that Transport Ministers identify a national B-triple network and an initial network was approved in May 2007 by the Australian Transport Council (ATC – now the Standing Council on Transport and Infrastructure [SCOTI]). This network predominantly covered routes open to road trains, except in NSW where it was more restricted, with some additional routes considered suitable. B-Triples operate in all States and Territories except the Australian Capital Territory and Tasmania, but are subject to significantly different local policies in each jurisdiction. This limits their value as a long-haul freight vehicle.

There are no readily available data on access by B-doubles from major freight routes to significant production facilities.

**DISCUSSION:** The implementation and expansion of B-Double and B-Triple networks does not feature in any of the IA reports that were reviewed.

In August 2011, the NTC released a discussion paper on *A national framework for modular B-triple operations* and took a policy to SCOTI on 4 November 2011 (NTC 2011). The policy involves provision of uniform access to the entire road train network for modular B-Triples. These vehicles must be configured in such a way that they can be broken down into complying B-Doubles, thus enabling their access to the B-Double network. The policy proposes that a broader network be made available as routes are upgraded. SCOTI will shortly be asked to approve the policy on B-Triples. It is understood that the policy has changed little from that proposed in the discussion paper.

The NTC discussion paper acknowledges that the current registration charge applied lead trailers (in order to provide full cost recovery from B-Doubles) results in registration charges which are significantly higher than for road trains places B-Triples and B-Doubles at competitive disadvantage with road trains.

**PROGRESS:** The National Land Freight Strategy does not make specific reference to the development of a national network for B-doubles and B-triples. There is general discussion surrounding the need for improved planning for freight networks. It is expected that the NHVR will have the resources and in-house expertise to allow it to influence jurisdictions to expand the B-Triple network.

PHOTO: Courtesy of Sydney Ports Corporation



## BLOCKAGE 13

### **Fast Track Planning: Effectively implement in each State fast-track planning processes for transport infrastructure of strategic economic significance.**

**ISSUE:** As noted earlier, in its 2011 Report, IA expressed disappointment over the delays in progressing projects to the point where they could be recommended for funding. Part of this delay may be attributed to deficiencies in planning and approval processes that are fragmented and uncoordinated. This places a significant burden on industry as it attempts to clear hurdles imposed by different levels of government and meet different portfolio requirements within a level government. Instead of being proactive and have projects in place to avoid bottlenecks, much of the approach is reactionary and by the time the project is completed the costs to society – direct and indirect – have escalated.

There is a need for state agencies to prioritise actions that contribute most to enhancing national economic objectives and to set in train processes to fast track those priorities to achieve outcomes within an agreed timeframe. This should also require greater accountability to be imposed on relevant stakeholders on delivering outcomes against reform elements and timetables. As argued by IA, this should also extend to improved mechanisms for the planning, protection and acquisition of infrastructure corridors, and sites at key nodes in those networks, e.g. sites for intermodal terminals and transport interchanges (IA 2010).

**DISCUSSION:** IA has placed much emphasis on the need to reform planning and implementation processes to better address infrastructure bottlenecks. Much of this rests with institutional reform to achieve a “one-stop” shop for development and assessment of proposals based on a consistent and transparent approach. This also extends to greater integration of transport and land use planning, including clear decisions on the location of terminals, access pathways and land use surrounding such areas.

The delays that appear to prevent some high profile projects from reaching the ‘Ready to Proceed’ status suggests that full implementation of reforms to achieve these outcomes is urgently required to facilitate ‘fast-tracking’ of projects. This does not suggest that the same rigour should not be applied to such projects. It does mean that to meet that rigour, the hurdles should be known with a clear line of sight.

In August 2009, the Victorian Parliament passed the Major Transport Projects Facilitation Bill to “facilitate the development of major projects” (Parliament of Victoria 2009). The Act is intended to enable the more rapid delivery of major infrastructure projects by streamlining the approval process. The Act is similar to provisions introduced through amendments to the NSW *Environmental Planning and Assessment Act 1979*, although it appears that these provisions are yet to deliver tangible outcomes in project delivery (AAR 2009). Further, Queensland sought to reform its project approval process by reforming its planning legislation and replacing the *Integrated Planning Act 1997* by the *Sustainable Planning Act 2009* and the Sustainable Planning Regulation in December 2009.

**PROGRESS:** Despite reforms by several jurisdictions to fast track the planning/approval process for projects, there appears to be a lack of progress for many proposals submitted to IA for consideration and returned to proponents for further analysis. The key factors contributing to such delays are unknown.

## BLOCKAGE 14

### **Rest Areas: Provide sufficient rest areas on all major highways to allow effective fatigue management while minimising any impact on the productivity of road haulage operations.**

**ISSUE:** Safety considerations and the regulations governing hours of work and rest require that drivers of heavy vehicles have access to areas that enable them to take longer or shorter periods of rest. The road transport industry has long been critical of inadequate provision of rest areas.

At the 10 February 2006 meeting of the Council of Australian Governments (COAG), heads of government agreed to an audit of rest areas to be completed by mid 2007 and the provision of rest areas to nationally agreed standards by the end of 2008.

In August 2006, Austroads commissioned the ARRB Group to undertake a national audit of rest areas against the guidelines which had been developed by ARRB for the NTC. The audit assessed rest areas along the 12,700 km of mostly AusLink freight routes and found that none of the audited routes fully met the spacing recommendations of the National Guidelines. Nearly two thirds of the audited routes had substantial deficiencies in the frequency or provision of rest opportunities. The audit found that major rest areas were under-provided in all jurisdictions, except Victoria.

The Austroads report found that (Austroads 2008):

*A sample of 147 Rest Areas was audited in more detail for compliance with the National Guidelines. There was a high compliance with the recommended minimum parking capacity requirements for different rest area categories. The majority of recommended design and layout features were present (71%) .... On average, nearly two-thirds of the recommended minimum site facilities were provided (65%) ....*

**DISCUSSION:** The provision and enhancement of rest areas does not feature in any of the Infrastructure Australia reports that were reviewed, including the National Land Freight Strategy. Road agency data on expenditure on rest areas in recent years is not readily available. However, it is expected that there has been some improvement in rest area frequency and facilities as part of road provision and enhancement programs. In addition, the Commonwealth has provided funding of \$70m through the Heavy Vehicle Safety and Productivity Program for the following expenditure categories:

- » Rest Area Projects
- » Parking/Decoupling Bay Projects
- » Road Enhancement Projects
- » Technology Trial Projects.

The funding was provided in two tranches. Round One Projects totalling \$30m were funded over 2008-09 and 2009-10 and Round Two Projects totalling \$40m were funded over 2010-11 and 2011-12. Projects were jointly funded with States and Territories. Whilst the funding was spread across the four expenditure categories, many projects involved provision or enhancements of rest areas.

**PROGRESS:** Substantial progress appears to have been achieved on this issue with the Commonwealth Government allocating \$70 million through the Heavy Vehicle Safety and Productivity Program for the development, among other activities, of rest areas.



## BLOCKAGE 15

### **Climate Change: Undertake a comprehensive national assessment of the effect of climate change on transport infrastructure and develop strategies for managing this effect to minimise the impact on infrastructure cost and reliability.**

**ISSUE:** Transport is a major contributor to emissions, accounting for around 14% of Australia's net total emissions in 2006 (IA 2008). There are four issues relevant to the debate surrounding the issue of transport and the environment: forecast growth in urban congestion, role of public transport in facilitating modal shift from use of private vehicles, role of rail and coastal shipping in meeting the forecast increase in the freight task, and increasing the efficiency with which transport infrastructure is used. These issues will require coordinated planning and the development of well-based strategic options and policies to reduce the negative impacts of transport on the environment and the potential longer term effects associated with the prospect of climate change. In the event of the latter, the planning function needs to consider options for "proofing" or at best minimising the likely fallout of climate change on transport infrastructure and use.

IA has encouraged project proponents to include climate change impacts in their assessments of initiatives submitted for consideration. Of particular concern is the forecast growth in the demand for transport and transport emissions. These factors will likely place more increasing pressure on governments to assess the ramifications of land use decisions, infrastructure development, and policy initiatives such as road pricing to better manage the demand for travel on the long term liveability of our cities. It will also call for more coordination of initiatives to provide travelers with better information on travel choice and the options to exercise that choice, such as integration of real-time information on road use, parking and public transport.

**DISCUSSION:** In 2011, IA released its report *State of Australian Cities* (IA 2011) in which it argued the case for jurisdictions to give greater consideration to climate change in their decisions to plan and invest in transport infrastructure. In reviewing initiatives on the IA priority lists for 2008 to 2011, there appears to be a lack of proposals that either assess the potential impacts of climate change on transport infrastructure or focus on mitigating the likely outcomes of climate change on the vulnerability of transport infrastructure.

The department of Climate Change concluded that climate change could have major impacts on ports, including port closure or downtime, increasing backlog of ships waiting to enter or leave ports, costs associated with providing assistance to vessels caught up in a storm event and broader economic impacts on port reliant businesses, freight transport networks and consumers. Airport infrastructure could also be at risk where access paths and runways are exposed to greater variations in weather patterns. However, there is little evidence of either jurisdictions embarking on such risk assessment or incorporating such risks in their assessment of options for mitigating the likely impacts of climate change in their proposals for infrastructure development.

**PROGRESS:** IA has raised the need for proponents to explicitly include options to assess the potential consequences of climate change on infrastructure. However, there appears to be a lack of initiatives to tackle head-on options to mitigate potential impacts of climate change. IA has argued the case for greater consideration to be given to road pricing to better manage urban congestion but this is yet to be taken up.



## BLOCKAGE 16

### Coastal Shipping: Develop coastal shipping policies to accommodate environmentally sustainable and efficient freight transport growth.

**ISSUE:** Coastal shipping has the potential to be the most efficient and environmentally sustainable transport mode for the carriage of certain types of domestic freight; most notably bulk cargoes and also for some long-distance general freight. However, these advantages have historically been largely negated by factors that have reduced the natural competitive advantages of the sector using Australian-registered vessels. This has helped lead to a long-term decline in coastal shipping's share of domestic freight and an associated decline in, and ageing of, the Australian fleet. While carrying some 25% of the total freight task by t-kms in 2006-07, coastal shipping carried only some 2% in tonnage terms.

In October 2008, a Commonwealth Parliamentary Inquiry issued a unanimous report, *Rebuilding Australia's Coastal Shipping Industry*. The Government also released a document *Reforming Australia's Shipping – A Discussion Paper for Stakeholder Consultation* in December 2010, which sought stakeholder's views on the Government's approach to shipping reform. In September 2011, the Commonwealth Minister for Infrastructure and Transport announced a package of reforms for the Australian shipping industry: tax reform, changes to licensing arrangements for foreign-registered vessels in the coastal trade, initiatives to improve the maritime workforce skill base, and measures to attempt to improve labour productivity by better aligning Australian practice with international best practice. The scheduled commencement date for the package is 1 July 2012. The Government's expectation is that this set of initiatives will lead to investment in efficient Australian vessels with competitive work practices.

IA does not appear to have a specific policy focus on improving coastal shipping performance; e.g., it is unclear whether the National Land Freight Strategy will evolve into a National Freight Strategy, including all modes. However, the National Ports Strategy could be a vehicle to improve the port-based links in coastal shipping supply chains. The 2011

Infrastructure Priority List also includes international gateway port proposals that could improve coastal shipping. In relation to promotion of coastal shipping by states, Ports Australia represents Australia's public and privately-owned ports. They differentiate between two policy objectives – an increase in coastal shipping and an increase in coastal shipping carried in Australian vessels. Their primary interest is in the former in terms of the forecast growth of the domestic freight market.

**DISCUSSION:** The paucity of commentary about coastal shipping in IA's reports may be explained by the Commonwealth Government's separate policy initiatives on Australian shipping or IA's current focus on land transport. However, the anticipated growth in the Australian freight task requires that coastal shipping (not necessarily in Australian vessels) at least maintains its current share of the task. If this does not eventuate then an already burdened land transport system will need to pick up the baton.

The implementation plan for the National Ports Strategy and the final National Freight Strategy must include firm and explicit initiatives and timeframes to achieve coastal shipping improvements. A start has been made to improve the competitiveness of coastal shipping in Australian vessels through the Commonwealth's new policy initiative. It is imperative that the Commonwealth's initiative leads to an improvement in the efficiency and reliability of coastal shipping. If this does not eventuate, user industries will lose competitiveness and there will be increased pressure on land transport.

**PROGRESS:** The Commonwealth has tabled bills relating to improving the Australian shipping industry, including coastal shipping in Australian vessels. There is a risk that current policy directions may not improve overall efficiency of coastal shipping in the context of growth in the freight task with potential impacts on dependent industries and on freight diversion to land transport. IA needs to incorporate an effective role for coastal shipping in its Ports and Freight Strategies.

## BLOCKAGE 17

**Open Access Regimes: Ensure that, wherever practical, all significant new transport infrastructure is subject to an open access regime, and develop improved regulatory processes to reduce the delays and costs to access seekers and access providers.**

**ISSUE:** The goal to secure open access raises two issues: avoidance of monopoly control over regional terminals/ports or rail infrastructure that prevents access by competitors, and the development of efficient and transparent pricing principles that allow a “fair” return to the operator which provides for re-investment and encourages efficient use of such facilities without extracting monopoly rents. The concept of “access” also requires the development of principles to avoid “crowding out” practical use of such infrastructure by competitors; as an extreme example, granting access to competitors to use a terminal “out-of hours” may not be practical in terms of local government regulations restricting access to the local road network with the imposition of curfews. These principles need to be consistent across road and rail transport in accessing ports and terminals, and associated infrastructure.

A major constraint facing north-south rail freight is access to the Sydney urban network. While it is not suggested that an open access regime should prevail in terms of am/pm needs of urban commuters, it does impact rail’s competitive position *vis-a-vis* road transport which does have open access to the road network. ARTC is undertaking a comprehensive program of works to ease this bottle-neck through the Southern Sydney Freight Line and the Northern Sydney Freight Corridor projects.

Recent progress has been achieved on providing access to mining competitor companies seeking to use the BHP/RIO rail corridors

**DISCUSSION:** The NTC have recommended one national regulation and access provider for freight. The creation of the National Rail Safety Regulator represents a step in this direction. Much of the issue of open access rests with the Australian Competition and Consumer Commission (ACCC). For example, in August 2011, the ARTC agreed to establish a workable, open non-discriminatory efficient and inclusive process for lodging and processing applications for Access Rights to the Hunter Valley rail network (ARTC 2011). In June 2010, the Australian Competition Tribunal ruled that Fortesque Metals Group would be allowed access to Rio Tinto’s Robe River line and BHP Billiton’s Goldsworthy line but not to the Hamersley and Mount Newman lines. Given that this issue is challenged more on a case by case basis, it is expected that progress will likely be slow in achieving full and open access.

**PROGRESS:** IA has argued the case for open access to infrastructure, and the need for reform to ensure efficiency in the use of resources while recognising the role of pricing to ensure adequate return to owners of such infrastructure (terminals, rail, ports). This is an issue for competition policy, with the most recent case being focused on access by competitors to rail infrastructure in the Pilbara, with BHP/RIO being required to allow other mining companies to use their rail infrastructure.

## BLOCKAGE 18

### Streamline PPP Approvals: Develop streamlined PPP approval processes to facilitate private investment in transport infrastructure.

**ISSUE:** IA comments in its 2011 report that the estimated capital cost of all urban transport proposals submitted to it since 2008 to be well over \$120b and that this represents a conservative estimate of the extent of infrastructure needs. Private investment can accelerate the benefits of new infrastructure but experience in Australia has been mixed; e.g. the financial disasters surrounding the Clem 7 Tunnel in Brisbane, the Cross City Tunnel and the Land Cove Tunnel in Sydney. Improving private investment in transport infrastructure (not solely streamlining PPP approval processes) is a major policy issue. Facilitating private sector investment is not simply a question of commercial arrangements and risk-sharing but problems are also caused by the lengthy planning and approval processes for transport infrastructure, failures in long-term demand forecasting and costing of a project, lack of rigorous assessment of the need for a project, and issues with creating an income stream for private investors, e.g. community antipathy to tolling.

In its 2011 report to COAG, IA refers to its establishment of an Infrastructure Financing Working Group, including major private sector stakeholders to identify changes required to improve the funding environment. Issues raised include restructuring how projects are put to the market to encourage superannuation funds to invest, updating existing PPP guidelines to reflect the post-Global Financial Crisis environment and experience with transfer of project demand risk (because several projects have failed because of over-optimistic demand projections), government asset sales, and land value capture models for urban transport projects.

The August 2011 COAG meeting notes that work will be brought back to the next COAG meeting by NSW on infrastructure financing to deliver better value infrastructure. The Commonwealth's National Urban Policy comments that the infrastructure task is too large to rely solely on public funding and that the policy and regulatory environment must be improved to encourage greater involvement of the

private sector, including the superannuation industry, in infrastructure investment. The Policy indicates that the Commonwealth will establish special tax provisions to attract up to \$25 billion of private and superannuation investment in Australian infrastructure. Also, that the Commonwealth will continue to encourage the States and Territories in best practice use and delivery of PPPs in infrastructure procurement, where these provide value for money, and investigate innovative approaches to managing patronage risk to encourage private investment in urban infrastructure.

**DISCUSSION:** Attracting private investment, including from the superannuation sector, is a critical policy issue in the context of the gap between growing infrastructure needs and public funding availability in a post-GFC context. The outcomes of IA's Infrastructure Financing Working Group will be critical and these must be translated into better practice by all governments. This ultimately means involvement by Transport Ministers and COAG.

We believe ALC could play a positive role in encouraging these initiatives. There is considerable community and industry antipathy towards road tolling, and this has been exacerbated by some poor experience with private projects involving tolling. Nevertheless, high benefit, well-targeted and managed private projects will bring gains to the freight and logistics industry well in advance of those possible if there were total reliance on public funds.

**PROGRESS:** Greater private sector, including superannuation, investment in transport infrastructure is essential. IA's Infrastructure Financing Working Group will be critical and its recommendations must be translated into better practice by all governments. Community and industry antipathy towards high value tollroads must be addressed, as this could impede private investment.

## BLOCKAGE 19

### Uniform Rail Standards: Implement nationally uniform technical, safety and communications standards for rail operations.

**ISSUE:** Following privatisation of most rail operations, rail operators were subject to State/Territory rail safety legislation and overlapping OHS regulation.

In 2007, the Australian Transport Council (ATC – now the Standing Council on Transport and Infrastructure [SCOTI]) approved the Model Rail Safety Bill and Regulations which had been developed by the National Transport Commission. Victoria had implemented similar legislation in 2006. Other jurisdictions implemented the national Model Law over the period to 2011, with some variations in each jurisdiction.

**DISCUSSION:** In September 2008, the Council of Australian Governments (COAG) asked the ATC to prepare Regulatory Impact Statements on single national regulatory systems for rail safety and investigation, heavy vehicle regulation and maritime regulation. Following the development of the Regulatory Impact Statements, ATC recommended to COAG the establishment of a single national regulator for each mode.

At the COAG meeting on 19 August 2011, the Intergovernmental Agreement on Rail Safety Regulation and Investigation Reform was signed by Heads of Government. At the first meeting of the Standing Council of Transport and Infrastructure on 4 November 2011, the National Rail Safety Law was approved. This legislation was developed by the NTC in consultation with all jurisdictions and the rail transport industry. The legislation removes the variations in the 2006 Model Legislation as adopted by States/NT. Under the Intergovernmental Agreement, the legislation will be passed through the South Australian parliament and adopted in other states and the NT through template or applied laws.

A Project Office has been established in South Australia with the task of establishing the National Rail Safety Regulator (NRSR) by January 2013. The NRSR will have a head office in Adelaide and will function through either branch offices or through service level agreements with existing regulators in other capitals (though there will be no NRSR presence in the ACT).

The rail industry is responsible for the development of communications and technical standards. Technical standards, rules, codes of practice and guidelines are developed by the Rail Industry Safety and Standards Board (RISSB), which is wholly owned by the Australasian Railway Association. RISSB is resourced jointly by the rail industry and governments.

**PROGRESS:** Adoption of the National Rail Safety Legislation and the creation of the National Rail Safety Regulator will remove any regulatory inconsistencies currently faced by rail operators who operate across borders. In addition, rail safety investigations will be undertaken by the Australian Transport Safety Bureau, either directly or through agreements with existing State transport investigators.

Although this process has taken longer than expected and has required a further round of legislation, it should achieve harmonised rail safety regulation.





## BLOCKAGE 20

### Road pricing: Reform road pricing to facilitate the efficient use of road vehicles and appropriate allocation of the freight task between road and rail.

**ISSUE:** Australia faces major challenges in maintaining its existing stock of transport infrastructure, and expanding transport system capacity to meet the future needs of the forecast growth in demand. Pricing is often advocated as a way of better managing road and other transport assets. Setting appropriate 'price signals' on road infrastructure has the potential to: better match the demands of road users with the available capacity or 'supply' of road space; provide a basis for replacing out-dated and inappropriate taxes and fees, and provide a fairer set of charges to align charges and payments to actual road use and the impact this has on society; and provide a more sustainable and transparent funding mechanism for maintaining and improving the transport system.

Road users are subjected to a range of government taxes and charges for access to and use of infrastructure, and these are imposed by all levels of government to varying degrees:

- » Australian Government: fuel excise, Goods and Services Tax (GST), Fringe Benefits Tax (FBT), Luxury Car Tax (LCT), import duties, sales taxes on new vehicles
- » State/Territory Government: registration charges for light and heavy vehicles, stamp duties, licence fees, permit fees (for heavy vehicles), insurance levies for Compulsory Third Party (CTP) and revenues from infringements/penalties
- » Local Government: parking charges and penalties.

In 2006-07 together these taxes and charges (excluding GST) amounted to around \$22.80b (including GST or around \$18b excluding GST) comprising \$15.6 b to the Australian Government, \$6.1b to State and Territory governments and \$1.1b through tolled motorways. Total funding of road-related expenditure by all levels of government in that year was \$12.1b including capital and maintenance. The array of taxes, charges and expenditures for the road transport sector raises the question of whether these revenue and expenditure streams could be handled more efficiently through a national approach.

**DISCUSSION:** With the growing realisation of the substantial indirect cost that transport imposes on society and the forecast increase in congestion costs, the COAG Urban Congestion Review (COAG 2006) recommended that a series of "motorway-based" trials be conducted to examine the feasibility of variable pricing and to ascertain user response. The review of Australia's taxation system (Henry Review) provided an opportunity to consider options for reforming taxes and other charges paid by the travelling public, and argued the case for congestion charging (The Treasury 2009). Further, the COAG Road Reform Plan is reviewing the current system of heavy vehicle charges with a view to gravitating toward a mass-distance-location charging regime.

With the Federal Government's commitment to introduce a carbon tax, the Government intends to apply a carbon price on heavy vehicles using the road network from 1 July 2014. If applied, this could amount to a reduction in the fuel tax credit of 6.858 cents per litre for diesel fuel in 2014-15. Light vehicles are currently subject to the full rate of fuel excise and will not be subject to the carbon tax. Either way, this still leaves the issues of demand for road use, availability of road space and funding of infrastructure unresolved. IA has argued the case for efficient pricing of infrastructure to better manage urban congestion with the revenues allocated to improving transport infrastructure (IA 2010).

**PROGRESS:** NSW is considering options for improving the use of Sydney's road network, including road pricing. However, despite the recognition of the increasing cost of urban congestion and infrastructure constraints facing Australia's capital cities, substantial action is yet to be achieved on the issue of road pricing to improve the efficiency with which infrastructure is used, and its potential to generate additional funds for investment in transport infrastructure. It is an issue that requires a coordinated a national approach, and hence needs to be progressed through COAG/SCOTI.

## BLOCKAGE 21

### High Productivity Vehicles: Reduce the regulatory barriers to the introduction of innovative high productivity vehicles.

**ISSUE:** In the past, regulation of heavy vehicles in Australia has been carried out by States and Territories. From 1992, the National Road Transport Commission (NRTC, now the National Transport Commission [NTC]) was given the role of harmonising heavy vehicle regulation. The NRTC had considerable success in achieving uniformity or consistency in the regulation of the most common freight vehicles (up to a gross mass of around 45 tonnes) but was less effective in the harmonisation of larger vehicles. Reasons for this included fears by road agencies of the impact of heavier vehicles on infrastructure, particularly pavements and bridges and political concerns over public perceptions of larger vehicles.

**DISCUSSION:** In the 1990s, the NRTC reached policy agreement to the operation of vehicles at Higher Mass Limits (HML) where vehicles with 'road friendly' suspension systems were permitted higher mass on designated routes, on the basis of equivalent pavement damage for vehicles with road friendly suspensions operating at higher masses and vehicles with steel suspensions at conventional mass limits. Unfortunately, States and Territories imposed different operating conditions for HML vehicles and different degrees of access to the road network. Thus, the potential productivity benefits of the operation of vehicles at higher mass were not achieved, particularly by operations which crossed State/Territory borders.

Following this, the NRTC/NTC developed the concept of performance based standards (PBS), where vehicles were assessed against a set of performance standards designed to meet safety and infrastructure standards, rather than prescriptive standards which were found to be poor proxies for the intended performance standards. Whilst the Australian Transport Council was able to agree on a set of performance standards and the concept was endorsed by COAG, differential operating and access conditions were again imposed by States and Territories, thus limiting the potential productivity, safety and environmental benefits.

The NTC stated in 2010, in a review of the PBS scheme, that (NTC 2010):

*In July 2009, the NTC delivered its review of the operation of the PBS scheme which had been in operation via administrative arrangements within roads authorities since October 2007. The review concluded that while PBS has had limited success in improving road productivity for some operators, the majority of industry members have disregarded the scheme, largely because approved vehicles have not realised the desired network access.*

Following this review, the Standing Council on Transport and Infrastructure has been asked to approve a set of recommendations to simplify the PBS scheme and to improve the likelihood of network access for PBS vehicles. A fundamental difficulty with the PBS scheme is that transport operators have to receive access approval from jurisdictional road agencies.

**PROGRESS:** Road access for Higher Mass Limits vehicles is still unnecessarily limited in some jurisdictions. It is expected that the implementation of the National Heavy Vehicles Regulator will also increase pressure on States to provide more extensive network access for Performance Based Standards and HML vehicles.



## BLOCKAGE 22

### **Over-Dimensional Vehicles: Adopt nationally consistent and less burdensome regulation to reduce the costs associated with the movement of over-dimension vehicles.**

**ISSUE:** Access to the road network by over-dimensional vehicles raises several important issues for road managers. These include: concept of an “indivisible load”, safety implications, assessing road infrastructure damage risks, capability of the heavy vehicle and vehicle configuration, driver competence and interaction with other traffic (e.g., see SA DTEI 2006). DTEI define an “indivisible item” as an item which cannot without disproportionate effort, expense or risk of damage, be divided into two or more items for road transport. Similarly, the Tasmanian DIER (2006) defines an indivisible item as one that cannot be divided without extreme effort or expense or risk of damage to it. There are variations across jurisdictions in the interpretation and determination of network access by restricted vehicles; i.e., vehicles that fall outside regulations governing nationally agreed mass and dimension limits. For example, each of the vehicle categories comprising “restricted access vehicles” operates under specific arrangements in NSW.

**DISCUSSION:** The challenge facing road transport operators is that jurisdictions review permit applications for transport of indivisible loads on a case by case basis. In some cases, authorities have streamlined this process by granting a “general” permit for the frequent and known transport of indivisible loads over a known and agreed route within a jurisdiction. However, for the transport of indivisible loads across state borders, operators may need to seek application and meet differing requirements of two or more jurisdictions. This can add to the cost of operators and to end users both of a direct and indirect (i.e., time delays) nature.

There are parallels between this issue and those principles relevant to granting access to High Productivity Vehicles.

A fundamental problem rests with the risk of damage to road infrastructure, and a jurisdiction’s assessment of that. Separate permits and other access authorisations have been required for over-mass and over-dimensional vehicles that cross State and Territory borders (NTC 2006). It appears that further reform of information sharing could assist in streamlining permit application processes across jurisdictions through the provision of a one-stop shop.

**PROGRESS:** Over-dimensional transport is generally only permitted for the movement of large, indivisible items that cannot be broken down and transported within prescriptive dimensional limits. Regulations often vary from jurisdiction to jurisdiction. This is an issue that needs to be addressed by the National Heavy Vehicle Regulator to ensure consistency in interpretation and applicability of regulations governing access to road networks by these vehicles.



## BLOCKAGE 23

### **Harmonise Fatigue Management:** Harmonise legislative processes and regulatory arrangements associated with the implementation of the national fatigue management system.

**ISSUE:** National Fatigue Regulations were introduced into the majority of state jurisdictions as of 29 September 2008. However, the national road transport approach was not adopted in WA or NT, where more flexible regulation through OHS was retained. In addition, Tasmania removed the work diary exemption for trips of less than 200 km radius from home base and more onerous OHS provisions were applied in NSW for some long haul operations.

Inconsistent application of rules for measuring time on task created a new set of cross-border inconsistencies. This situation was only resolved after the application of considerable pressure from the transport industry.

Under Advanced Fatigue Management, Victoria and NSW applied an 'outer limit' of 15 hours of work daily against the national policy of 16 hours. In addition, not all states accepted the 'rest areas' defence for short breaks in Standard Hours and Basic Fatigue Management.

These cross-border inconsistencies have been addressed in the development of the Heavy Vehicle National Law. Agreement has been reached on a uniform and more practical approach to counting time, based on the New South Wales and Queensland approach. At this stage, it appears that WA will continue to manage fatigue through OHS provisions.

**DISCUSSION:** It is ironic that the introduction of regulation which was designed to provide more flexibility in the management of work and rest periods led to the creation of regulatory inconsistencies between jurisdictions and created a new set of problems for the road transport industry. Enforcement issues resulting from the implementation of the 2008 policy have now been resolved; however in one jurisdiction fatigue regulation is undertaken through OHS rather than road transport legislation which will increase the likelihood of inconsistency. Beyond that, it is difficult to make an assessment of fatigue policy outcomes until the detail of the Heavy Vehicle National Law is available.

**PROGRESS:** It is difficult to make an assessment of fatigue policy outcomes until the detail of the Heavy Vehicle National Law is available. It is expected that the implementation of the National Road Safety Regulator should lead to more consistent enforcement of fatigue provisions.



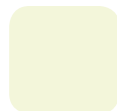
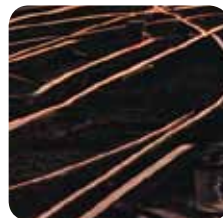
## 4. Broad Assessment

From the analysis of the priority lists developed by IA, many seemingly high profile issues do not appear to have shown much progress over the term covered by IA's reports to Government. There could be several factors contributing to this, such as: lack of detailed information on which to make an assessment either by the proponent or as contained in the proposal presented to IA for consideration, time required to clear the various decision-making requirements of different agencies, lack of funding to support the proposal based on shared funding arrangements, or change in policy/priorities by the proponent. For example, many of the port related initiatives seem to have remained fairly static over the period: Port of Hastings, Abbot Point Multi-Cargo Facility, Bell Bay Port/Intermodal Terminal, and Oakajee Port.

As a corollary to the above point, there appears to be a general lack of accountability surrounding the further development of initiatives once included in the Priority List. Many of the initiatives included in the 2008 Priority List did not remain in the Priority List in later years. Perhaps this reflected the early impetus associated with the creation of IA, an ambit claim for funding of projects and the subsequent realisation that the demand for funds far exceeded the supply. At the other end of the spectrum, for projects that were deemed "Ready to Proceed", it is difficult to glean reliable information on "where to from there?"

While Priority Lists provide guidance on which projects should be considered for action, the revolving nature of the priority lists provide little indication of which projects should be undertaken; i.e., a "must do" list essential for improving transport efficiency. This may also allow a clear line of sight for such projects and minimise the risk of political maneuvering and the substitution of low priority projects to suit other agendas.

This then raises a related issue of implementation path and timetable. While there may be agreement by governments to progress "Ready to Proceed" projects, there appears to a lack of follow through in subsequent reports on outcomes or implementation paths to provide stake-holders with information on milestones for completion or enactment of initiatives. The determination of an action path would seem to be an essential requirement in the life of an initiative and an important element of accountability and responsibility for achieving agreed outcomes. The same argument holds for the development of national strategies and reform initiatives.



## 5. Update on ALC Priorities

In February 2012, ALC invited members to provide an update of the earlier set of blockages. While it is recognised that this reflects a subset of Members, and does not suggest that all of the earlier blockages have been attended to or are no longer a priority, the responses do highlight a number of on-going concerns of industry. The major issues raised by a number of respondents were identified as:

- » Protecting access corridors to ports and terminals
- » East-west rail corridor
- » North-south rail corridor
- » Identifying sites for inter-modal terminals in urban areas,
- » Improved access for higher productivity vehicles, and
- » Developing transport plans that recognised the interaction between transport and land-use, and the need to provide access for freight vehicles for urban freight distribution. A related point was the need to fast-track planning processes.

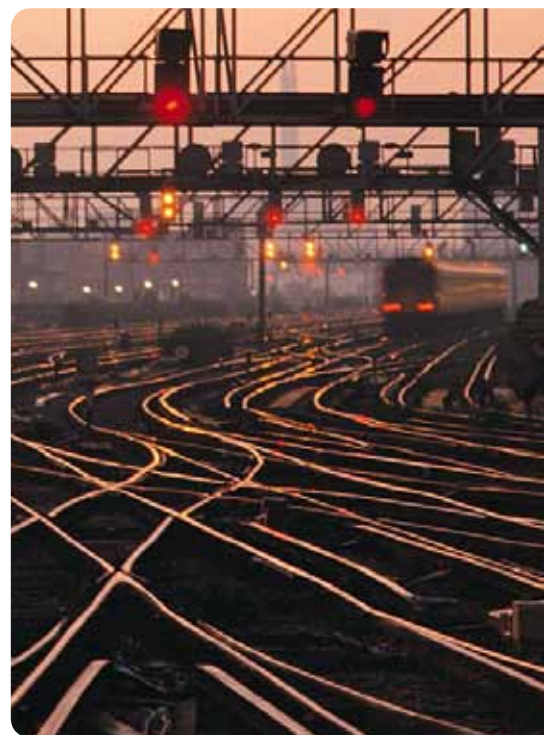
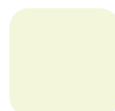
In regard to the north-south and east-west rail corridors, however, it is worth noting the significant program of works in place by the ARTC since 2008. While some issues raised by Members remain unresolved at this time (such as double stacking of containers), the ARTC commented that the current investment program will lead to improved service quality on these corridors, as well as for the Hunter Valley.

The forecast growth of our major cities does place greater need for urban planning and strategies to facilitate the efficient movement of freight within and through metropolitan areas, including better congestion management strategies. Related issues for urban freight efficiency are increasing the development of open access inter-modal terminals and preserving access paths for both road and rail to those terminals.

Other blockages that were reinforced as priorities included the following:

- » Resources rail network
- » Grain rail networks
- » Short-haul rail (servicing the Port of Hastings)
- » Development of B-double and B-triple networks
- » Incorporate risk analysis in infrastructure planning and development that takes account of climate change, and
- » Uniform rail standards, including standardisation of the Victorian bulk grain network.

A common theme that flowed through several responses, and related to many of the issues above, was the need for greater consistency in regulations both within and across modes, including OH&S regimes.



# 6. Strategic Observations

## Strategic Observations

Our analysis of ALC's 23 blockages against the IA Priority Lists and the national strategies relating to ports, freight and urban areas, leads us to the following strategic observations.

- » **Accountability:** IA has introduced welcome rigour into development and assessment of infrastructure proposals at the national level, and this is bearing fruit. A challenge is translating recommendations into actions. There is lack of progress on a number of seemingly high profile issues with many projects hanging there for years and a growing backlog. There is often no clear implementation path. In its June 2011 Report to COAG, IA criticised governments for inadequate progress with improving infrastructure planning, pricing, funding, demand management etc. While governments' primary responsibility is clear, they have also made advances, and IA could play a stronger role in turning methodology and plans into actions.

**IA's Role:** We make two broad suggestions for a stronger role for IA. First, that IA undertakes transparent and detailed public reporting of progress with implementation of the numerous national strategies and infrastructure proposals IA has recommended. This should also include reporting of projects that were deemed to be of low priority but were, nevertheless, funded at the expense of higher priorities. In reporting on progress with implementation of its recommendations, IA should also assess the opportunity costs associated with delays/lack of implementation of key recommendations to improve transport efficiency. Second, IA needs to do more to assist states' implementation of reforms; especially those that are complex, cross-jurisdictional or contentious. For example, IA played a positive role in supporting development of the cross-jurisdictional National Smart Managed Motorways Trial (NSMM Trial). This issue is used as a case study to illustrate the positive outcome of a well-coordinated approach by multiple jurisdictions, and is summarised at the

end of this section. IA needs to play a stronger facilitating role in bringing governments together to tackle difficult issues, such as road pricing, initially through championing national desk-top modeling of road pricing scenarios, followed by a series of trials. IA's funding has improved recently and it is to be hoped that they have adequate resources to undertake this expanded role.

- » **National Strategies:** Considerable resources are being devoted to development of national policies and strategies. These include the Commonwealth's National Urban Strategy, IA's National Ports Strategy, National Land Freight Strategy, its proposed National Infrastructure Corridors Strategy and outcomes from the Infrastructure Financing Working Group. The COAG Reform Council is also reviewing capital cities' strategic planning systems. These are vital initiatives and a considerable step forward, as they have the potential to 'lock in' all governments to delivering key reforms and improvements for the freight and logistics sector. They cannot be allowed to 'gather dust'. They need firm implementation paths, agreed by the responsible governments and agencies at the highest levels, with funding sources identified, and transparent reporting of progress.

**IA's Role:** As noted above under "Accountability", IA could play a positive role in facilitating the implementation of national strategies. This could be included in an annual "Report on Progress". Otherwise, like many strategy documents before, time passes and dust settles.

- » **Conditional Funding:** The Commonwealth is making tranches of its infrastructure funding conditional on states achieving specific reforms, e.g. that each capital city has in place, by 2014, a 20 year freight strategy consistent with the National Land Freight Strategy and National Ports Strategy. This is a positive move as it creates a 'lever', giving real 'teeth' to the reform process.

**IA's Role:** Delivery of outcomes based on conditional funding needs to be monitored to ensure it works.

» **Coastal Shipping:** The performance of coastal shipping is critical in terms of meeting the growing freight task. If its efficiency and reliability does not improve, and even falls, then this will impact on the industries reliant on coastal shipping and on the load that land transport has to perform if cargo shifts to road and rail transport. There is a risk that the Commonwealth's coastal shipping policy may weaken coastal shipping's overall relative efficiency. Coastal shipping must be considered as an integral and vital part of the transport system with an important role in meeting the growing freight task.

**IA's Role:** The development of a National Land Freight Strategy is a welcome move. It needs to progress into a National Freight Strategy that also incorporates a positive role for coastal shipping in order to develop a national multi-modal approach to tackling the growing freight task.

» **Funding:** The supply of funds for worthwhile projects needs to be increased. In addition to budget appropriations, private sector funding needs to be pursued, including through road pricing. Road pricing would also complement actions required to help tackle transport emissions and their potential role in climate change. This would necessitate consideration being given to location, vehicle type and time of day pricing in urban areas. Policy developments in heavy vehicle charging could pave the way for trials being conducted on urban motorways (for both light and heavy vehicles) based on variable pricing to better manage congestion. However, road pricing should not proceed independently of reforms to taxes and charges currently paid by road users including the possible imposition of a carbon tax on heavy vehicles beyond 2014, or to road agencies delivering outcomes to facilitate access by high productivity vehicles. There also needs to be allocation of some revenues from the Minerals Resource Rent Tax (MRRT) to fund infrastructure priorities.

**IA's Role:** IA could assume a positive role in analysing the benefits of increased funding to the wider economy. Further, proposals by jurisdictions and the private sector to conduct trials on road pricing need to be encouraged and explicitly facilitated by IA, recognising that IA has already identified road pricing as priority policy area not only in terms of climate change but also as a means to improve the efficiency with which existing infrastructure is used. IA's national role should hold it in good stead to drive and facilitate positive changes in policy and practice.

» **ALC:** ALC has provided a solid stock-take of constraints impacting transport efficiency and their likely effects on Australia's international competitiveness. Their list of blockages covers a diverse set as it reflects the wide range of Members' activities and interests. It serves an important role in advising jurisdictions on which areas should receive focus in policy and funding.

**ALC's Role:** ALC needs to build from the foundation of its 23 blockages and the lessons of the past three years. It could now consolidate its concerns by reviewing Members' perspectives on blockages and identify where there is likely to be the greatest payoff in terms of enhancing freight/logistics efficiency, reliability and competitiveness into the future. In undertaking such a review, consideration should be given to estimating the costs associated with delays in implementing actions to address key constraints to transport efficiency. This is likely to be a mix of infrastructure projects, and policy, planning, institutional, funding, regulatory, pricing and management reforms. It should then ask how it can best pursue these reforms in an integrated approach. Part of this will be closer relationships with the states, which have responsibility for the network and which develop infrastructure proposals for IA's consideration. Part of it will be ensuring that relevant national strategies are effective and have clear accountabilities, implementation paths and 'teeth'.

## NATIONAL SMART MANAGED MOTORWAYS TRIAL – A CASE STUDY IN INFRASTRUCTURE REFORM

‘Managed motorways’ aim to make best use of existing urban infrastructure, and are generally a far more cost-effective solution compared to new construction with benefit-cost ratios (BCRs) ranging between 3.0 and 10.0. Managed motorways use intelligent information, communications and control systems incorporated in and alongside the road. The main advantage of these ‘smart’ systems, compared to conventional motorways, is that they are able to synchronise the flow of vehicles entering a whole motorway corridor or network to match its capacity and avoid gridlock that causes motorway performance to collapse.

‘Collapses’ can cut a motorway’s operating capacity by up to 25 per cent for several hours at the worst time – peak periods. Overseas evidence and some limited Australian experience show that better management leads to considerable travel time savings, improved reliability, improved road safety, lower greenhouse gases emissions, and significant increases in infrastructure productivity.

The impetus for managed motorways in Australia came from the states. Victoria took the early lead. The importance of ‘smart’ management of the high volume/high value motorway conduits that are critical to the functioning of our cities – for both passenger and freight movements – was raised as a national issue in the COAG Urban Congestion Review of 2006.

Following the establishment of IA in 2008, a Queensland proposal for managed motorways in Brisbane was identified as a proposal warranting further analysis. This evolved into a joint submission from NSW, Queensland, Victoria, SA and WA for a National Managed Motorways Program. IA nominated this submission as a ‘Ready to Proceed’ proposal in its June 2011 Infrastructure Priority List, as meeting all of IA’s criteria.

In the 2011 Commonwealth Budget, the Australian Government announced it would invest \$61.4 million over three years for the development of a National Smart Managed Motorways trial to improve congestion, lower urban emissions, and expand the capacity of existing outer city road infrastructure networks. This would include the retrofitting of technology to road projects identified by Infrastructure Australia as demonstrating high benefit-cost ratios and improving traffic demand management and the overall efficiency of the transport flows in major cities.

An initial set of projects that would be eligible for funding was identified by Infrastructure Australia for Melbourne, Sydney, Brisbane and Perth. All projects will be jointly funded by the Australian Government and the relevant State Government. Funding will be subject to State and Territory Governments signing *National Partnership Agreements* on the establishment of Single National Jurisdictions for heavy vehicles, interstate rail operations and maritime regulation.

(Sources: ‘Communicating the Imperative for Action’, Report to COAG, Infrastructure Australia, June 2011. ‘Our Cities, Our Future’, National Urban Policy, Australian Government, Department of Infrastructure and Transport, Canberra 2011. ‘Review of Urban Congestion Trends, Impacts and Solutions’, COAG, December 2006. ‘Traffic Management Systems for Australian Urban Freeways’, Australian Road Research Board, August 2006).

# 7. Recommendations

**Recommendation 1:** ALC should encourage IA and governments to:

- » Undertake transparent and detailed public reporting of progress with implementation of the numerous national strategies and infrastructure proposals IA has recommended. This should also include reporting of projects that were deemed to be of low priority but were, nevertheless, funded at the expense of higher priorities.

**Recommendation 2:** ALC should play a leading role in ensuring that IA and governments:

- » Translate national strategies into implementation agendas that contain practical actions jurisdictions will undertake to ensure the freight and logistics sector can meet its major challenges into the future;
- » Develop implementation agendas that include specific actions, accountabilities and timeframes ('who does what by when'); and
- » Endorse key actions at the highest possible level, preferably COAG, so they are seen as commitments.

**Recommendation 3:** ALC should consult with IA to develop a report on outcomes for projects submitted to Government as part of the "Ready to Proceed" Priority List. This could assist industry and promote productivity gains by allowing industry to better plan their investment decisions:

- » This should include an implementation path for initiatives agreed by Government and a timetable for completion;
- » The report should note where responsibility for implementation of an initiative rests and factors contributing to delays in progressing action on that initiative; and
- » Projects that do not receive funding due to budget constraints should also be monitored as priorities for future action.

**Recommendation 4:** ALC should promote the principle that access to Commonwealth infrastructure funding should be conditional on delivery of key reforms for the freight and logistics sector, and for this to happen:

- » Actions to be delivered need to be practical and measurable;
- » There needs to be regular public reporting of progress;
- » IA should be requested to undertake such monitoring; and
- » ALC may also wish to monitor progress and report via its website.

**Recommendation 5:** ALC should reinforce to the Commonwealth and IA the importance of a vibrant coastal shipping sector and the implications of impediments to its improved performance:

- » IA needs to ensure that the emerging National Freight Strategy supports a positive and growing role for coastal shipping, and that specific actions to achieve this are recommended.

**Recommendation 6:** ALC should support a role for IA in facilitating difficult national reforms. Two of the most difficult areas are service provision and efficient pricing. To date the focus on pricing has been on heavy vehicle charges; however, heavy vehicles are generally a relatively small component of total traffic on most key routes. Measures to improve urban congestion to deliver better travel times, reliability and infrastructure productivity, depend on addressing light vehicles (especially cars), as well as heavy vehicles. Further, there are broader issues of access to infrastructure, pricing and service delivery across modes and users. Otherwise, reform of heavy vehicle pricing is akin to creating ‘islands of rationality in a sea of irrationality’.

- » Governments in cooperation with industry need to ensure that reforms lead to gains in the delivery of services surrounding infrastructure access and use, including efficient pricing.
- » IA should take the lead in seeking national agreement to developing a series of real-time road pricing trials covering light and heavy vehicles. This should commence with a national approach to undertaking desk-top modelling of a series of road pricing scenarios in each of the congested capital cities.

**Recommendation 7:** Building on the lessons of the last three years, ALC should now review, consolidate its concerns and identify where there is likely to be the greatest payoff in terms of enhancing freight/ logistics efficiency, reliability and competitiveness into the future. Such analysis should also consider the costs associated with delays in implementing of actions to address key blockages. This is likely to be a mix of infrastructure projects, and policy, planning, institutional, funding, regulatory, pricing and management reforms. It should then ask how it can best pursue these reforms in an integrated approach.

- » ALC should work closely with all levels of government, particularly at the state/territory level, to identify and develop proposals for action to improve transport efficiency.



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