Submission to the Senate References Committee on Rural and Regional Affairs and Transport

Inquiry into Management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government

November 2019

Contents

Summary of Recommendations

1. **The National Planning Principles being developed by the Commonwealth Government should contain specific reference to freight infrastructure, including intermodal terminals. Planning approvals for new intermodals should require proponents to demonstrate how their terminals will link with freight rail infrastructure, including Inland Rail.**

2. **The Commonwealth Government require the Victorian, New South Wales and Queensland governments to explicitly identify how new freight infrastructure delivered in their implementation plans for the National Freight and Supply Chain Strategy will connect with Inland Rail, and provide deadlines for the completion of such infrastructure.**

3. **The Commonwealth and Victorian Governments should work to provide full details regarding the precise location of the Western Interstate Freight Terminal (WIFT) and how it will connect to the Port of Melbourne by the end of 2020 and that both Governments work collaboratively to ensure the expedient planning approval of BIFT and its ultimate efficient connection to the Inland Rail.**

4. **The joint study into options for improved rail access to the Port of Brisbane is released immediately.**

5. **The relevant authorities (including state and local governments) should prioritise and expedite planning approvals for intermodal terminals that can clearly demonstrate a capacity to link Inland Rail efficiently to other key rail and road freight routes.**

6. **The Transport Sector Skills Strategy being developed by the Commonwealth Government should specifically address the construction, maintenance and operational needs of Inland Rail, and set out the actions that will be taken to ensure to ongoing presence of a sustainable local workforce.**

Introduction

The Australian Logistics Council **(ALC)** welcomes this opportunity to provide a submission to the Senate References Committee on Rural and Regional Affairs and Transport inquiry into the Management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government.

ALC is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

ALC was one of Inland Rail's earliest and strongest advocates, because we recognise that a growing national freight task will require greater use of freight rail in order to meet customer expectations around rapid transit times and to help alleviate road congestion.

According to the recently released National Freight and Supply Chain Strategy, Australia's national freight task will increase by 35 per cent by the year 2040[1].

To manage this increasing demand in a responsible manner, it is essential that Australia is equipped with freight transport infrastructure that facilitates improved efficiency, safety, reliability and sustainability in the freight transport sector.

Inland Rail presents an opportunity to enhance outcomes in each of these key areas.

Reducing freight transit times will have significant flow-on benefits through the whole supply chain – not least of which will be cheaper consumer prices for Australians, whether they live in city centres or the regions.

Moreover, addressing freight transit times and costs will be especially important for Australian exporters seeking to capitalise on free trade agreements recently signed with key trading partners across Asia

Moving more freight onto rail will also help to deal with road congestion in urban areas and on key freight routes across some parts of regional Australia, enhancing road safety and the liveability of local communities. It will also contribute to the reliability and resilience of our national supply chains, as freight movement becomes less exposed to delays caused by incidents on the road network.

Inland Rail also offers significant opportunities to achieve emissions reductions in the freight transport sector, contributing to enhanced national environmental outcomes.

ALC welcomes this opportunity to highlight the whole-of-supply-chain benefits offered by Inland Rail, and make recommendations that will ensure the Inland Rail project delivers the fullest possible benefits for freight logistics operators, consumers, exporters and local communities.

[1] National Freight and Supply Chain Strategy (2019) p. 10

The Risk of Delay and Uncertainty

From the outset, ALC wishes to emphasise that the inquiry now being undertaken by the Senate must not be used as an opportunity to endanger or delay the Inland Rail project.

Rather, it should be seen as an opportunity to provide certainty to local communities, to businesses and to investors that the project enjoys bipartisan support.

The NSW and Victorian governments signed intergovernmental agreements supporting the construction of Inland Rail in their respective jurisdictions in 2018, and the Queensland government signed its agreement with the Commonwealth on 29 November 2019.

With all three relevant jurisdictions having signed intergovernmental agreements with the Commonwealth to progress construction work, it is vital that momentum is not lost.

Whilst the views of landholders and agricultural producers must be respected, many of their concerns will be alleviated as the alignment is refined and the corridor narrowed.

With an estimated 16,000 jobs to be created during the project's construction phase, and a $16 billion contribution to GDP[2] at stake, any perception that the project may be delayed is unhelpful in the present economic climate, and in the context of the impact of drought in regional Australia.

Construction of the project is already underway in NSW, and local communities and businesses are already making significant investments based on the delivery of the project (for example, intermodal facilities at Parkes, NSW and Toowoomba, QLD).

Similarly, local governments and communities are now planning investments in road infrastructure that will allow them to take advantage of Inland Rail, and major Australian businesses are already factoring Inland Rail into planning the future operation of their supply chains.

Any attempt to delay or significantly alter the Inland Rail project at this stage will erode investor confidence, and will place the economic benefits of the project in jeopardy at a time when the Australian economy can ill-afford such outcomes.

[2] The Case for Inland Rail, ARTC 2015 (p. 2)

Inland Rail and the National Freight and Supply Chain Strategy

The National Freight and Supply Chain Strategy released in August 2019 provided Australia with a clear set of actions for improving supply chain efficiency which all governments nation-wide have committed to pursue.

The Strategy commits to action across four key areas:

- smarter and targeted infrastructure;
- improve supply chain efficiency;
- better planning, coordination and regulation; and
- better freight location and performance data

As this submission will demonstrate, ALC believes that the Inland Rail project offers genuine opportunities to deliver meaningful outcomes in each of these areas.

However, there are two matters in connection with the Strategy that ALC particularly encourages the Committee to consider.

National Planning Principles

As part of the National Action Plan released in conjunction with the Strategy, the Commonwealth Government has agreed to develop a set of National Planning Principles (in cooperation with other jurisdictions).

ALC suggests that these principles should include specific reference to the development of freight infrastructure.

In particular, applications for planning approvals for new intermodals and freight precincts should be required to clearly demonstrate how they will link with relevant rail infrastructure, including Inland Rail.

Recommendation:

The Committee should recommend that the National Planning Principles being developed by the Commonwealth Government contain specific reference to freight infrastructure, including intermodal terminals. Planning approvals for new intermodals should require proponents to demonstrate how their terminals will link with freight rail infrastructure, including Inland Rail.

State Implementation Plans

As part of the implementation arrangements for the National Freight and Supply Chain Strategy, state and territory governments are required to submit implementation plans to the Transport & Infrastructure Council of COAG.

These implementation plans will be crucial for giving effect to the intended outcomes of the Strategy, and promoting greater consistency in planning freight infrastructure between jurisdictions.

As part of this, ALC suggests that the implantation plans submitted by Victoria, New South Wales and Queensland (as the three states hosting part of the Inland Rail alignment) should clearly set out how new freight infrastructure (including intermodal terminals) will connect with Inland Rail, and provide deadlines for the competition of such infrastructure.

Recommendation:

The Committee should recommend that the Commonwealth Government require the Victorian, New South Wales and Queensland governments to explicitly identify how new freight infrastructure delivered in their implementation plans for the National Freight and Supply Chain Strategy will connect with Inland Rail, and provide deadlines for the completion of such infrastructure.

Inland Rail Will Benefit All Australians

There has been a tendency among some commentators to portray Inland Rail as a 'regional' (ie. non-urban) project.

While there are undoubtedly significant benefits that will flow to regional communities through the construction and operation of Inland Rail (discussed elsewhere in this submission), ALC believes its benefits will also be felt by Australians living in major cities.

A transit time of less than 24 hours for freight moving via rail between Melbourne and Brisbane will be reflected in cheaper consumer prices, as rail transport costs become more competitive with road. This competition will advantage urban consumers as well as those living in regional communities.

There is already evidence to suggest that Inland Rail has the potential to realise genuine cost savings for consumer goods.

In March 2019, a CSIRO pilot study focussed on the Parkes to Narromine section of Inland Rail showed that there are significant potential cost savings for horticultural and post-processed food products transported via Inland Rail.[3]

[3] Inland Rail Supply Chain Mapping – Parkes to Narromine Pilot, CSIRO, March 2019 (p. ii)

Similar research will be undertaken for other parts of the Inland Rail corridor to highlight other potential cost savings for businesses and consumers.

The Inland Rail project will also help improve the environmental performance of the freight sector by lowering emissions, will make it easier to get fresh produce to urban markets and will help to address road and rail congestion for urban residents.

In particular, Inland Rail will alleviate congestive pressures on the already-congested Sydney rail network by providing a dedicated route for freight rail, removing freight trains from lines currently shared with passenger services.

This will reduce delays experienced by rail commuters, and allow the scheduling of additional passenger rail services as Sydney's population continues to grow.

Importantly, the construction of Inland Rail will enhance the national standard gauge connection by establishing a link with the interstate East-West freight rail line that runs from Perth to Sydney at Parkes, NSW.

This will mean that mean once Inland Rail is complete, Queensland will be connected to Australia's southern and western states via a dedicated freight rail connection for the first time.

Community and Industry Support for Inland Rail

In July 2018, ALC joined with the Australasian Railway Association (ARA) to host the first industry-led Inland Rail Conference in Parkes, NSW.

The event drew together Federal, state and local government representatives, logistics operators, rail service providers, local businesses and community organisations to explore all facets of the Inland Rail project, and the economic opportunities it presents for regional communities.

This inaugural Inland Rail Conference in Parkes was attended by more than 400 delegates. The second Inland Rail Conference, held in Toowoomba, Queensland in August 2019 attracted more than 460 delegates.

Both these conferences clearly demonstrated the enthusiasm for Inland Rail, not only among logistics industry participants, but among Australians living, working and operating small businesses along the alignment.

By proactively working with local communities, sourcing local materials and using local contractors to support delivery of the project, Inland Rail will deliver an economic boost to regional communities, during and beyond its construction phase.

In NSW, where construction work on Inland Rail is well underway, the benefits are already flowing to regional communities.

Local businesses are picking up a flow of work from Inland Rail in areas such as concrete supply, transportation, fencing, earthmoving, drainage, electrical works, security and water bore drilling providers.

Accommodation providers and the hospitality industry are also reaping the benefits, as are retail outlets, with an influx of workers involved with construction now living and spending locally. This is particularly valuable in a period where the effects of the ongoing drought are otherwise posing an enormous regional economic challenge.

At the 2019 Inland Rail Conference in Toowoomba, representatives of local government and business groups including Toowoomba Regional Council, the Toowoomba and Surat Basin Enterprise (TSBE) and Narrabri Shire Council in NSW specifically noted the opportunity presented by Inland Rail to diversity regional economic activity.

This sentiment was echoed by representatives of major constriction and contracting companies, including the John Holland Group, who noted that they would prefer to hire workers living locally, rather than having to spend time and resources attempting to convince workers from major cities (or overseas) to move to regional communities.

Representatives of major retail and FMCG organisations in attendance at the conference also spoke of the benefits they see in the Inland Rail project.

Woolworths Group, which has one of Australia's largest supply chains, noted the project's potential to allow the company to continue to move more of its freight via rail, improving sustainability, congestion and safety outcomes.

Woolworths also highlighted Inland Rail's potential to further support and build up regional suppliers. An efficient supply chain utilising Inland Rail, providing transit times of less than 24 hours end-to-end, will allow providers of fresh produce to increasingly supply product to city consumers, thus further building their customer base.

The opportunity to expand customer bases was also noted at the conference by representatives of the Export Council of Australia and the Queensland Resources Council, who noted that the cost of getting goods to port is a significant one for many exporters.

Inland Rail's service offering of reduced transit times and placing downward pressure on freight costs will undoubtedly advantage Australia's exporters – and help to enhance Australia's international competitiveness.

Addressing the Road Congestion Challenge

At present, around four billion tonnes of goods are moved around Australia each year, equating to 163 tonnes of freight for every Australian.

Australia's population is growing significantly – but our national freight task is growing even more rapidly. In the decade to 2016, Australia's domestic freight task grew by 50 per cent, compared with population growth of 18 per cent in the corresponding timeframe.[4]

Australia's population growth is now the fastest in the developed world, increasing by 1.8 percent per annum, versus a global average of 1.5 per cent[5]. As a consequence, Australia's national freight task expected to increase by a further 35 per cent by the year 2040.[6]

Australia's east coast will be the focal point for much of this growth, as the home of Australia's three largest cities (Sydney, Melbourne and Brisbane), which will continue to place pressure on infrastructure.

It has been estimated that without effective policy responses, road congestion and public transport crowding alone could be costing the Australian economy $38.8 billion by 2031[7], with this problem at its most acute in Australia's largest cities.

Getting more freight onto rail is a key aspect of addressing road congestion. This includes interstate freight rail solutions (such as Inland Rail), as well as making greater investment in intrastate rail solutions, including short haul rail connecting ports to intermodal facilities to facilitate more efficient freight movements; improve urban amenity; reduce road congestion and decrease queuing times at ports.

Several state governments have explicitly acknowledged the need to move more freight onto rail as a way of addressing road congestion. The NSW Government has a target of moving 28 per cent of freight to and from Port Botany via rail by 2021[8]. The governments of Western Australia, Victoria and Queensland operate various forms of incentive schemes to drive modal shift from road to rail.

The National Freight and Supply Chain Strategy points out that "freight productivity and costs have plateaued since the 1990s"[9], and there is little doubt from either industry participants or governments that inefficient freight infrastructure networks have been a key factor in this scenario.

At present, around three-quarters of inter-capital freight travelling on Australia's eastern seaboard moves via road, with rail's share at around 25 per cent. Given projected growth in Australia's population and freight volumes, it is clear this ratio has profound implications for road congestion moving forward.

The construction of Inland Rail is a critical aspect of addressing congestive pressures on key freight routes along Australia's eastern seaboard.

[4] Australian Infrastructure Audit 2019, Infrastructure Australia, (p. 323)
[5] Ibid (p.125)
[6] National Freight and Supply Chain Strategy (2019) p. 10
[7] Australian Infrastructure Audit 2019, Infrastructure Australia, (p. 265)
[8] NSW Freight and Ports Plan 2018 – 2023 (p. 51)
[9] National Freight and Supply Chain Strategy (2019) p. 10

The project will also play a role in enhancing the resilience of our supply chains by ensuring alternative freight transport methods are available in scenarios where accidents or natural disasters limit (or entirely prevent) road access on key freight routes.

Connections with Other Freight Infrastructure

As a nationally-significant infrastructure project in which substantial public investment is being made, ALC has consistently said that Inland Rail must connect efficiently with other key freight infrastructure.

This includes properly establishing connections to the Port of Melbourne and the Port of Brisbane, facilitating connections to other ports, and investing in the development of intermodal terminals sited at strategic points along the alignment.

This will help to ensure that the intended benefits of the project for freight operators, producers and local communities are fully delivered.

Port of Melbourne

In its July 2018 Victorian Freight Plan, the Victorian Government committed to the development of the Western Interstate Freight Terminal (WIFT) at Truganina in western Melbourne[10]. This included an initial commitment of $2.24 million in funding to support a full business case.

Melbourne's current main freight rail terminal at South Dynon is unable to efficiently accommodate longer, double-stacked trains of the type that will run on the Inland Rail alignment. It is essential that the WIFT be constructed and operational by the time Inland Rail comes online in 2025.

However, at present there is little further solid planning detail available regarding the WIFT's definitive location, or how it will connect to the Port of Melbourne. This lack of certainty makes it difficult for businesses to plan investments.

It is essential that the Commonwealth and Victorian governments work collaboratively and expeditiously to resolve this uncertainty as soon as possible, and ensure industry, investors and the community can access full details of how the WIFT will connect to the Port of Melbourne. This information should be made available by the end of 2020.

Qube Holdings also has an option to develop a 1,100 hectare complementary interstate intermodal terminal at Beveridge to the north of Melbourne known as the Beveridge Intermodal Freight Terminal **(BIFT).** BIFT is immediately adjacent to the proposed Inland Rail route and will be required along with WIFT to meet the future growth in interstate rail volumes.

[10] Delivering the Goods, Victorian Freight Plan, July 2018 (p. 43)

Likewise, it is essential that the Commonwealth and Victorian Governments work collaboratively to ensure the expedient planning approval of BIFT and its ultimate efficient connection to the Inland Rail.

Recommendation:

The Committee should recommend the Commonwealth and Victorian Governments work to provide full details regarding the precise location of the WIFT and how it will connect to the Port of Melbourne by the end of 2020 and both governments work collaboratively to ensure the expedient planning approval of BIFT and its ultimate efficient connection to the Inland Rail.

Port of Brisbane

At present, only 2 per cent of containerised freight moves to the Port of Brisbane via rail, with the remainder relying on road transport.

Given Brisbane's population growth and continued growth in the freight task, this is already having a severe impact on road congestion – and that challenge will only compound unless a dedicated freight rail connection to the port is established.

The construction of Inland Rail presents an ideal opportunity to achieve this, by constructing a freight rail link from the route's current end point at Acacia Ridge (30km south-west of the Port of Brisbane) right through to the port.

A September 2019 Deloitte Access Economics report established that a 30% share for rail to the port by 2035 could deliver $820 million in economic, social and environmental benefits each year.[11]

Specific benefits noted include $195 million in reduced road congestion costs, $155 million in reduced road maintenance costs and $210 million in increased international export value.

The construction of a dedicated freight rail connection between Acacia Ridge and the Port of Brisbane would also engender benefits for users of passenger rail services.

At present, freight trains moving though Brisbane share track with passenger services, creating congestion and delays in the network.

The separation of these lines though the construction of a dedicated freight rail link will not only enhance the efficiency of freight movement, but will also free up capacity on passenger lines. This will allow additional services to be scheduled on the Brisbane network as the city continues to grow.

In April 2018, the Commonwealth and Queensland governments announced they were jointly funding a study to examine options for improved rail access to the Port of Brisbane. That study has now been completed, but has not been released to the public.

[11] Establishing the need for the last mile: Making the case for a dedicated freight rail link from Acacia Ridge to the Port of Brisbane, Deloitte Access Economics, 2019 (p. i)

As a first step, it is critical that this study be released as soon as possible, so that industry and the broader community can better understand the options available.

Recommendation:

The Committee should recommend that the joint study into options for improved rail access to the Port of Brisbane be released immediately.

Connections to Intermodals

ALC has consistently emphasised the crucial role that intermodal terminals will play in Inland Rail's success. Establishing a network of intermodals at strategic points along the alignment will be vital for allowing regional communities to access Inland Rail services, helping producers get products to markets (domestic and export), and providing efficient linkages with the road transport network.

Obviously, the requirement for a freight rail service offering transit times of under 24 hours between Melbourne and Brisbane must be a paramount consideration in Inland Rail's construction. By definition, this means that trains cannot stop at every population centre along the route.

Accordingly, intermodal terminals must be located in places where they can best add value to Inland Rail, buy facilitating effective connections with the road network, or by linking with other key freight rail and air freight routes.

As noted elsewhere in this submission, Parkes NSW is a key strategic location in the Inland Rail network, as it is here that Inland Rail will intersect with the east-west freight rail line that runs from Sydney to Perth.

This is demonstrated by the significant investments that have already been made in Parkes to establish intermodal infrastructure as part of the Parkes National Logistics Hub. The development of this precinct – set to be Australia's largest intermodal site – has been driven by the Parkes Shire Council, and has already been supported by investments from major logistics companies including Linfox, Pacific National and SCT Logistics.[12]

Similarly, Toowoomba in Queensland offers strategic access to road, rail and air connections (via Wellcamp Airport). Local government and business groups including the Toowoomba Regional Council and the Toowoomba and Surat Basin Enterprise (TSBE) have been working proactively to attract investment in intermodal infrastructure that will complement Inland Rail. This will build upon significant freight facilities in the region already well-placed to take advantage of Inland Rail, including the Interlink SQ intermodal terminal and the Toowoomba Wellcamp Airport.

[12] See https://www.parkes.nsw.gov.au/business-investment/national-logistics-hub/parkes-national-logistics-hub/

There are other opportunities to develop intermodal infrastructure at key points on the Inland Rail route. However, what is clear is that intermodal facilities are best located in places where they can provide efficient links to other key freight infrastructure, particularly road connections.

This was a point emphasised by several presenters at the 2019 Inland Rail Conference, hosted by ALC and the Australasian Railway Association in Toowoomba in August 2019, and should also be reflected in decision making around planning approvals for additional intermodal terminals that will service Inland Rail.

Recommendation

The Committee should recommend that relevant authorities (including state and local governments) should prioritise and expedite planning approvals for intermodal terminals that can clearly demonstrate a capacity to link Inland Rail efficiently other key rail and road freight routes.

Building Workforce Capacity

The construction of Inland Rail presents an opportunity to provide our workforces with the skills needed to maintain and oversee the operation of Australia's modern rail network into the future.

Given the large number of rail infrastructure projects currently in the pipeline (including passenger rail projects), it is imperative that Australia has a workforce equipped with the skills needed to deliver these projects.

The skills training and experience offered to those engaged on the construction of the Inland Rail project will prove to be of lasting value to the wider economy, as their skills can be employed on other rail infrastructure projects once Inland Rail is complete.

At the 2019 ALC/ARA Inland Rail Conference in Toowoomba, ARTC and the ARA launched the Inland Rail Skills Academy[13], which will facilitate opportunities for education, training, skills development and employment for those in communities along the Inland Rail alignment.

The Inland Rail Skills Academy will provide opportunities for undergraduate students at local universities, primary and secondary school students, potential apprentices and trainees living in regional communities and locally-based small to medium enterprises to connect with best-practice training opportunities that will help them build skills relevant to supporting the delivery of Inland Rail.

Importantly, this initiative also presents an opportunity that enables those affected by drought to retrain and bring welcome relief to their households, whilst simultaneously

[13] See https://inlandrail.artc.com.au/education-and-scholarships#

supporting the economic development of their local communities and the delivery of this nationally significant infrastructure project.

As part of the National Action Plan released to support delivery of the National Freight and Supply Chain Strategy, the Commonwealth Government committed to the development of a Transport Sector Skills Strategy[14].

This new strategy should build on initiatives such as the Inland Rail Skills Academy by ensuring the construction, maintenance and operational needs of Inland Rail are fully considered. The skills strategy should also set out how the Commonwealth will engage with state and local governments along the alignment, local vocational education providers and small to medium enterprises to ensure access to a sustainable local workforce.

Recommendation:

The Transport Sector Skills Strategy being developed by the Commonwealth Government should specifically address the construction, maintenance and operational needs of Inland Rail, and set out the actions that will be taken to ensure to ongoing presence of a sustainable local workforce.

Conclusion

The Australian Logistics Council is grateful for this opportunity to provide its recommendations to the Committee in relation to the Inland Rail Project.

Again, ALC wishes to emphasise that this inquiry process should be seen as an opportunity to provide certainty to freight logistics operators, investors and local communities that the Inland Rail project enjoys strong support across the partisan divide.

In the present economic environment and with many regional communities along the alignment being ravaged by the effects of drought, the last thing local communities can afford are attempts to delay the project, and place at risk the substantial employment, economic and supply chain benefits.

If you require any additional information in relation to this submission, please feel free to contact me on 0417 142 467, or via email to kirk.coningham@austlogistics.com.au

Yours sincerely

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[14] National Freight and Supply Chain Strategy: National Action Plan, August 2019 (p. 13)