

SUBMISSION TO THE INDEPENDENT INLAND RAIL REVIEW

Introduction

The Australian Logistics Council (ALC) welcomes the opportunity to make a submission on Independent Inland Rail Review (**the Review**).

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 productivity, sustainability, efficiency, and safety.

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators.

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.

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 has had regard to the terms of reference to the Review and makes the following observations.

¹ <https://www.freightaustralia.gov.au/sites/default/files/documents/national-freight-and-supply-chain-strategy.pdf>:10

The value of Inland Rail

Infrastructure Australia has found that the Australian Rail Track Corporation's (ARTC) Public Inland Rail Program Business case would provide, on balance, net positive benefits to the Australian economy.²

However, Inland Rail's success will be driven by how the future network serves all East Coast markets and not just Brisbane-Melbourne.

The process of developing and constructing Inland Rail has substantially commenced.

For example, the Parkes to Narromine line has been commissioned whilst the development of the Narrabri to North Star section of the rail is well under way.

An environmental impact statement has also been exhibited for the Albury to Illabo part of the line as recently as August 2022³.

This means it is now appropriate to frame a modern purpose statement for Inland Rail so as to frame the role it will play in the Australian economy and so guide government and private sector investments.

The Review should conclude that the main public interest in maintaining Inland Rail is to increase the freight share of rail moving:

- (a) on the north-south axis from Melbourne to Brisbane within 24 hours; and
- (b) east-west.

ALC members have maintained that for the project to be a worthwhile investment, the service offering published by ARTC must be delivered.⁴

Members have made clear that products ranging from postal articles and parcels to flowers must be able to go from Melbourne to Brisbane within 24 hours, otherwise consignors will not choose to use Inland Rail.

We have also been told that there is need for a clear capacity to efficiently link the east coast ports of Brisbane, Botany, Port Kembla and Melbourne, noting the majority of freight trains on the current ARTC interstate network operate to access these ports and other markets in those cities.⁵

Finally, ALC members have said that it is important that trains of 1,800m or greater should be able to be double stacked and serviced by open access terminals at either end with an ability for goods to move Melbourne-Brisbane within 24 hours.

² Australian Government (2021) Australian Government response to the Senate Rural and Regional Affairs and Transport References Committee Report on the Management of the Inland Rail Project by the Australian Rail Track Corporation and the Commonwealth Government: <https://www.infrastructure.gov.au/sites/default/files/documents/attachment-b-australian-governments-response-to-the-senate-inquiry-into-inland-rail.pdf>: 4

³ Border Mail

⁴ <https://inlandrail.wpenginepowered.com/wp-content/uploads/2020/07/service-offering-brochure.pdf>

⁵ Qube submission to ACCC: 3

Without that capacity, the hope to change the way freight is moved between Victoria and Queensland from a ratio of 30 percent movement by rail to 60% will not be met as it is unlikely customers will choose to use the infrastructure.

To this end, ALC Members also support early delivery of upgrades to brownfield sections where early productivity gains can be delivered. However, Inland Rail cannot be delivered to the detriment of the existing freight rail freight task.

Connectivity

The Government has made an equity investment into Inland Rail.

However, as noted by the ACCC in its guidance on the interstate access undertaking, most of these gains are economic.

However, so there is maximum return to the taxpayer for their investment, it is important that there is a seamless link to Australia's major international ports.

Port of Melbourne

As Infrastructure Australia has observed:

Melbourne is the largest generator of inter-capital rail freight in Australia and is served by more interstate freight trains per week than any other capital city. Trains run on the north-south and east-west freight rail corridors to connect Melbourne with Sydney, Brisbane, Adelaide and Perth.

Increasing inter-capital rail freight from the operation of Inland Rail, due to be operational by 2027 will put pressure on existing intermodal terminal capacity. The main intermodal terminals in Melbourne at Dynon will reach full capacity in 2027. Additionally, the Dynon terminals are currently incapable of handling 1,800m long double-stacked Inland Rail container trains. Without appropriate intermodal facilities, Inland Rail will be unable to attract volumes and achieve the benefits associated with mode switch from road to rail.

The location of Dynon terminal within inner Melbourne results in long transits across both the metropolitan rail and road networks as the largest portion of current freight cargo has origins and destinations in western Melbourne. This also causes negative community impacts from heavy vehicle movements.⁶

The Australian and Victorian governments are currently jointly undertaking a detailed business case to consider the development of intermodal terminals in Melbourne capable of supporting Inland Rail.

Two potential sites for the intermodal terminals have been identified: one at Truganina, west of Melbourne (referred to as the Western Interstate Freight Terminal), and the other at Beveridge, north of Melbourne (referred to as the Beveridge Interstate Freight Terminal) – which can immediately accommodate the double stacked 1800m trains contained in the ARTC service offering.

There is nevertheless industry support for both options.

Port of Brisbane

In relation to this Port, Infrastructure Australia has indicated:

By 2045, container trade at the Port of Brisbane is forecast to increase by 300%, representing an increase of 4.8% per year. The 2015 *Australian Infrastructure Audit* identified that growth at the Port of Brisbane is likely to become constrained by the lack of a dedicated freight rail connection. The impacts of COVID-19 on global supply chains have also underscored the need for greater resilience in supply

⁶ <https://www.infrastructureaustralia.gov.au/map/melbourne-intermodal-terminal-capacity#:~:text=Melbourne%20is%20the%20largest%20generator,%2C%20Brisbane%2C%20Adelaide%20and%20Perth.>

chain infrastructure, including land-side infrastructure for the Port of Brisbane, which has the lowest rail utilisation rate out of the 5 capital city ports.

Governments are considering the Port of Brisbane Rail Access Plan. This includes determining the best path for the line to connect Calvert, Kagaru, Bromelton and Acacia Ridge. Delivery of the Plan is long overdue. A business case on the Brisbane Inland Rail Intermodal Business Case is also overdue having been promised by Government for mid 2022

It is also noted that Brisbane City Council indicated in its Business Strategy published 22 October 2022 that there is scope to consider an automated freight tunnel connection to the Port.⁷

Port Botany and Port Kembla

The existing freight network in NSW is extensive, and largely focuses on east-west connections with the existing trade gateways at Port Kembla, Port Botany and the Port of Newcastle. Inland Rail provides a new north-south freight rail option for east coast trade in Australia. In so doing, it interacts with the existing NSW network, including:

- Junee (Riverina Murray);
- Stockbingal (Riverina Murray);
- Narromine (Central West and Orana);
- Gilgandra (Central West and Orana); and
- Narrabri (New England North West)

These points of intersection are of crucial importance and represent the areas where Inland Rail can provide the most benefit to regional exporters in NSW.

Connectivity to Inland Rail via the NSW Country Rail Network will also provide regional exporters with additional trade gateway access options which will result in economic benefits as a result of stronger competition.

It is imperative that Inland Rail is developed so it maximises the ability for those moving freight to market have a choice to export their product from NSW ports.

Governments have been considering business plans for the linking of ports to Inland Rail for a considerable period.

Whilst there has been some slow movement, such as for example proposing minor design changes to the route⁸ - a sign that ARTC is prepared to incorporate stakeholder suggestions- the time has come or final decisions to be made.

As will be discussed shortly, there are labour and material constraints that have contributed to construction costs, which are continuously increasing. The infrastructure must be able to be accessed at a competitive price, otherwise customers will use road transport.

There needs to be certainty as to the final ambit of the project.

⁷ Brisbane City Council (2022) *Brisbane our Productive City*: https://www.brisbane.qld.gov.au/sites/default/files/documents/2022-10/20221020-Brisbane-Our-Productive-City_0.pdf :8

⁸ Such as design changes at M-Hines Road Ebenezer as a result of extensive engagement with landowners: <https://inlandrail.artc.com.au/design-changes-at-m-hines-road-ebenezer/>, published 28 October 2022

Linkage with the East West rail corridor

The Inland Rail project and associated infrastructure should also consider the importance for enhanced connectivity between the Melbourne to Brisbane corridor and the vital east-west corridor between the east coast and Perth. The east-west corridor, with its vast distances, is one of the most viable and competitive rail corridors in Australia. As such, adequate connectivity will assist in the viability of the north-south Inland Rail project.

The Review should:

- (a) recommend governments set a timeframe within which decisions as to how Inland Rail should link to Australia's east coast ports should be made; and
- (b) consider adequate connectivity between Inland Rail and the east-west rail corridor between the east coast and Western Australia.

Sustainability

Mode shift to Inland Rail will help the sustainability of the Australian supply chain through lower emissions, improved safety outcomes and less congestion across the road network.

Recent CSIRO mapping suggests that intermodal freight switching from road to Inland Rail can achieve savings to users, including an estimated \$90 per tonne (44 per cent reduction) in the unit cost of transport for freight moving along the entire length of Inland Rail between Melbourne and Brisbane.⁹

At the same time the increased utilisation of the interstate network will reduce the negative externalities associated with the movement of freight by road. A number of negative externalities/costs are associated with road transport. These include:

- reducing accidents - Deloitte Access Economics has estimated that rail accident costs were up to 14 times lower than road accident costs for every kilometre of freight moved;
- reducing carbon/greenhouse emissions - heavy vehicles contribute to 14 percent of total transport sector greenhouse emissions (or 3 percent of total Australia emissions) whereas rail freight contributes less than half of 1 percent;
- reducing pollution – in addition to carbon emissions, road transport is a predominant source of nitrogen oxides, carbon monoxide and particulate matter emissions. Deloitte Access Economics estimated that rail freight produces up to 16 times less carbon pollution than road per tonne kilometre travelled ; and
- reducing urban congestion – this is an external cost well established in the economics literature as the cost that an additional road user entering a congested traffic stream imposes on all other road users. One additional rail service will, on average, remove up to 110 “B double” heavy vehicles from the road.¹⁰

The Australian Government has also suggested that by 2050, Inland Rail is expected to reduce truck movements by 200,000 trips between Melbourne and Brisbane and cut carbon emissions by 750,000 tonnes a year.¹¹

A properly designed rail system will also provide an ability to move freight when climatic conditions prevent the operation of road networks.

However, these gains will not be achieved if the access costs to Inland Rail are not competitive with road freight. In particular, ALC members have made clear Inland Rail usage needs to be competitive with road freight in terms of reliability and efficiency of service to stimulate meaningful mode shift across the national freight task.

The intention behind the decision to develop Inland Rail was to enable improved regional connectivity and improved access to markets. The investment enables rail to compete for the movement of freight task which would previously have not been contestable, or require a change of mode. Like national highway network funding programmes, this investment should not trigger a direct commercial investment return to the Commonwealth.

⁹ <https://www.inlandrail.gov.au/sites/default/files/documents/Inland%20RailSupply%20Chain%20Mapping%20Key%20Findings.pdf> : 4

¹⁰ Pacific National submission to ACCC Issues Paper on Regulatory Framework for the ARTC Interstate Network (2021): https://www.accc.gov.au/system/files/Pacific%20National%20submission%20-%20The%20regulatory%20framework%20for%20ARTC%E2%80%99s%20Interstate%20network_0.pdf: 10

¹¹ Australian Government (2021): 5, relying on the CSIRO’s Inland Rail Supply Chain Mapping Project (2018):

Those proposing to invest in intermodals, above rail operators, consignors and consignees require some certainty as to the pricing structure as soon as possible so that business decisions can be made should the project continue.

The Review should recommend that ARTC should identify its access charge policy as soon as possible that considers the broader economic benefits of mode share change from road to rail.

Skills and resource constraints

Finally, Australian Infrastructure Ministers were briefed on and acknowledged the significant pressures facing the infrastructure and transport sectors, which included capacity constraints, skills shortages and longer-term supply chain pressures at their meeting held on 22 October 2022.¹²

This is one reason why the Government decided to re-profile \$6.5 billion of funding for existing projects within the Infrastructure Investment Program to beyond the forward estimates period.¹³

The Budget Papers particularly acknowledged that the Inland Rail program is being affected by market capacity constraints, increasing costs and pressures on the delivery schedule.¹⁴

This includes facing cost pressures as a result of competition from State Governments' political decisions to invest in urban metros. The lack of coordination/alignment between States has resulted in inefficient resource allocation, increasing costs for all participants in the industry.

BIS Oxford economics forecasts a 7.5 per cent workforce gap by 2027 across rail construction, operation and manufacturing, with 20 per cent of today's workforce expecting to retire by 2028.¹⁵

The National Rail Action Plan also discovered:

Across Australia the sector is struggling to meet the demand for train drivers, controllers, track workers, signalling engineers and technicians, maintenance workers, electrical technicians and tunnellers. In construction alone, modelling shows 95,000 people are needed to deliver funded projects over the next three years.¹⁶

Moreover, as Infrastructure Australia has indicated in its 2021 *Infrastructure Market Capacity* report there are 877 transport projects on foot fighting for the available labour to deal with the new wave of public infrastructure investment.¹⁷

IA also reports that the transport sector overall is approximately \$161 billion over the next five years, with high spend rates in the transport sector expected to drive strong demand growth for resources, particularly in materials.¹⁸

The most recent Infrastructure and Transport Ministers' Meeting communique resolved to develop (amongst other things) a more consistent approach to the national infrastructure pipeline.

As discussed earlier, the Inland Rail project has started and needs to proceed to conclusion.

¹² Communique for the 17th Infrastructure and Transport Ministers' Meeting: <https://minister.infrastructure.gov.au/c-king/community-update/communique-17th-infrastructure-and-transport-ministers-meeting>

¹³ Budget Paper 2: 161

¹⁴ Budget Paper 1: 21

¹⁵ ARA *Building Australian Rail Skills for the Future*: 16

¹⁶ <https://www.ntc.gov.au/transport-reform/ntc-projects/national-rail-skills-hub>

¹⁷ https://www.infrastructureaustralia.gov.au/sites/default/files/2022-05/2021_MCR_INFRASTRUCTURE_2.9.pdf: 23

¹⁸ Page 41 and Figure 16

To reduce cost pressures, and in recognition of the existence of labour and material constraints, the Review should recommend:

- (a) the Inland Rail project should be a prioritised project within the Major Public Infrastructure Pipeline;¹⁹ and
- (b) the Government invest in, and encourage the greater development of, the National Rail Skills Hub to assist in overcoming the labour shortage identified in the National Rail Action Plan.

Australian Logistics Council

November 2022

¹⁹ As that phrase is used in the IA *Infrastructure Market Capacity* Report