



National Land Freight Strategy

**Submission to Infrastructure Australia
on the February 2011 Discussion Paper**

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Submission to Infrastructure Australia on the National Land Freight Strategy

Executive Summary

This Submission is made on behalf of Australian Rail Track Corporation, Asciano and QR National. All organisations play a key role in the national land freight task. ARTC owns/manages a major part of the national freight rail network, whilst Asciano (AIO) and QR National (QRN) are the two largest rail freight operators in Australia.

The companies welcome the opportunity to comment on the National Land Freight Strategy Discussion Paper issued by Infrastructure Australia (IA) in February 2011.

ARTC, Asciano and QR National ("The companies") support the concept of a National Land Freight Strategy ("NLFS"). Continuation of the current ad-hoc network planning is in our view not efficient. Like Infrastructure Australia ("IA"), we consider that while the transition to infrastructure investment based on a fully market based national freight transport infrastructure system is desirable, achieving this appears unlikely in the short to medium term.

The recognition by IA of the importance of freight as a discrete transport function rather than just part of aggregated network demand is an important step, and this needs to be recognised in action, rather than just policy statements.

We support the inclusion of a vision for the NLFS, however, the current vision would benefit from the inclusion of a more definitive and less generic statement. The philosophy for the NLFS appears appropriate, but the document would be enhanced with refinement of the goals to better focus on the end outcomes, rather than mode specific means to achieve these, with objectives capable of quantified monitoring of progress towards them.

The companies support the concept of an NLFS, but believe that to be successful, it must have solidly based processes and governance.

Key aspects necessary for the NLFS to succeed must include:

1. Identification of a National body, such as IA, with responsibility and resources to develop oversight and administer the plan.
2. Transparent priorities for implementation, and regular reporting against milestones.
3. Integration and control of network funding with NLFS implementation, and transparent processes for private sector and freight industry investment in network capacity.
4. Well documented processes for the development of the plan, including for resolution of differences between stakeholders over aspects of the plan. These should rest on effective shared definitions on the meaning and use of the plan, and enable more effective cooperation between State and Federal jurisdictions on infrastructure planning & implementation.
5. Explicit rights for freight use of the National Freight Network.
6. Processes to ensure integration with the National Ports Strategy, so that landside port supply chain capacity & efficiency issues are effectively managed.
7. Recognition of the need for an effective interface between road and rail at critical locations to ensure supply chain efficiency.
8. More generally, there is a need to "de-politicise" the provision and operation of freight transport infrastructure, and create a multi-jurisdictional approach, such as applies to most other national infrastructure.

Whilst progress has been made in this respect, reverting to a situation where decisions on network investment and funding are based on political expediency rather than network needs and priorities are incompatible with an effective NLFS.

The companies therefore believe that if there is consensus support for an NLFS then the first priority for IA should be to work with jurisdictions and other stakeholders to establish these robust and sustainable development, implementation, and governance processes & structures.

The companies are prepared to effectively contribute to this process along with other key stakeholders.

The companies believe that in the absence of both this strong commitment to an NLFS, and effective processes and governance around its development and use, that efforts will be more effectively applied in resolving individual areas of reform, and in modal planning, rather than to development of an unsuccessful NLFS.

As recognized in the NLFS, with ARTC's lead, the rail industry has undertaken the development of long-term investment strategies for the interstate rail network. Significant improvements remain to be made to the national rail network. The companies are ready, with other industry stakeholders, to further develop the work undertaken within the NLFS framework to establish a long term vision for the national interstate rail freight network and other significant rail corridors which will address key long term industry strategic issues and effectively contribute a significant part of the NLFS.

In addition to supporting development of the NLFS, the companies also believe it is critical that to complement and support an NLFS, other reforms should proceed with urgency.

These need to include:

- accelerated reform in road freight charging on nationally important freight corridors with intermodal competition,
- development of national management structures for nationally significant road and rail infrastructure
- corridor related land use planning decisions. For rail, alignment of land use planning with the development of intermodal terminals and freight precincts with associated road and rail network connections is a critical requirement for future industry efficiency.

These reforms are required independently of proceeding with the NLFS, and are essential components of creating a market capable of attracting and supporting private sector investment in the national freight network.

In many cases reform has commenced in these areas as identified in the Discussion Paper, however, the companies remain concerned with the pace of reform and believe that development of the NLFS under IA should be accompanied by a greater commitment to accelerating these reforms and not should delay their progression.

Constraints on Freight

The companies endorse the IA assessment of the constraints on freight. Restrictions on access to infrastructure, and encroachment on freight activities and facilities, are material and growing problems for the freight industry.

There is general uncertainty over the adequacy and efficiency of future capacity to meet freight demand, and limited mechanisms for freight operators to procure provision of additional capacity or efficiency improvements.

All modes have a high dependence on Government funding, which inevitably makes additional investment funding subject to the competing demands of other Budget funding needs.

Underlying causes of these constraints are the lack of commerciality in the supply and use of most transport infrastructure, the limited and fragmented nature of planning for the key freight networks and facilities, and the dispersion of responsibility between State and Federal Governments, resulting in loss of an integrated approach.

Market Vision

In theory, economic efficiency is best achieved through a fully market based system for the supply, use and charging for land transport infrastructure.

However the institutional and other changes required to put such a market based approach in place across all national transport networks and uses are substantial. As IA notes in the Discussion Paper, progress has been extremely slow, and achieving this model for all transport users is clearly many years away.

In the light of this, Government will continue to have a role in land use planning, charging and investment funding.

Concept of a National Land Freight Strategy

The companies support the concept of a NLFS outlined by IA.

Infrastructure provision is generally costly, with long lead times to implement and even longer economic lives. This therefore requires consistency of approach, and constancy of purpose, together with a balancing of short term investment efficiency with longer term network needs and optimal whole of lifecycle cost.

A clear strategy and vision of the long term network requirements are key tools in achieving these outcomes.

While a fully market based solution remains the long term goal, this is clearly going to take many years to put in place and is not a viable solution to planning in the near term.

However definition of a National Land Freight Network (NLFN) provides an opportunity to focus and accelerate freight market reform around a more achievable scope of corridors with strong inter-modal freight competition than attempting to reform the whole land transport network.

As IA notes, efficient land freight is a critical component of national efficiency and economic wellbeing. The recognition of freight transport as a key network user in its own right, rather than just as part of aggregated network demand, is an appropriate and overdue recognition of this important role.

Planning in Rail

As with other modes, significant planning & implementation issues exist for the national rail network. These include:

- long term speed and axle load improvements e.g. on the East-West corridor
- the Automatic Train Management System (ATMS) being developed by ARTC
- overcoming barriers to improved performance such as the Adelaide Hills

- further improving rail's cost competitiveness and performance on the North-South corridor, including the issues around the Inland route and capacity for freight in Sydney
- development of appropriately located, efficient and high capacity intermodal terminals

ARTC has taken the lead in planning productivity and capacity enhancements on the interstate rail network (including key non-ARTC controlled sections in Sydney and WA).

Whilst on a shorter time scale than that envisaged by IA, this work has several similarities with the approach proposed by IA. The companies believe that this work would provide a good platform from which the rail industry could expeditiously develop a long term national vision and strategy for the interstate network.

In 2008 the companies additionally presented to IA a long term strategy for development of the critical East Coast network (Melbourne to Brisbane), applying a similar approach and philosophy to that proposed for the NLFS.

The companies would see the developed common vision and strategy as forming a critical element underpinning the development of the NLFS.

Components of the NLFS

a) Network Scope

The companies endorse the approach to determination of the corridors to be included in the network strategy. Central to this issue is the distinction made by IA that

"The essence of a freight network is that it should "add" something – analysis, priority, rights and responsibilities- for freight which are not available off the network."

Inclusion of a corridor in the National Freight Network should result in increased focus and planning activity around the future freight capability of the corridor, and as required, investment.

However it also creates obligations on all stakeholders, and particularly jurisdictions, to place a much greater priority on the needs of freight in both that work, and subsequent implementation of any corridor improvements.

The scope includes those parts of the bulk supply chains which form part of the National network e.g. parts of the Hunter Valley, where it is important that plans developed with a focus on the principal bulk exports also provide adequate capacity for all market needs.

b) Vision & Objectives

The vision of improved freight efficiency and minimized externalities is too abstract a strategic vision. The objectives need to be revised to be capable of ongoing measurement of their delivery.

c) Philosophy

i) Status of Freight: The recognition of freight as a separate task rather than just a component of aggregated network demand is a cornerstone of the National Land Freight Strategy and is strongly supported.

ii) Interoperability: IA rightly distinguishes between regulatory interoperability, which is essential & remains a key priority for action, and functional interoperability.

Functional interoperability is important where it contributes significantly to network and task efficiency. However it appears important that delivering interoperability remains securely based in it providing an economic return, rather than as an end in itself.

The companies would be concerned if a philosophy of achieving functional interoperability is incorrectly applied and leads to the setting of unreasonable objectives which cannot economically be achieved. To do so risks damaging the credibility of the planning process and weakening the authority of the NLFS.

iii) Integration with Land Use Planning: The integration of infrastructure and land use planning is a key requirement with substantial potential to yield economic benefits for multi-modal freight through greater freight efficiency, reduced impact of freight operations on the community, and minimum encroachment of other land uses on key transport corridors and facilities.

Integrated land use planning also provides an opportunity for investors in infrastructure, to capture some of the indirect benefits of the investment through appreciation in land values due to the investment.

A concept that major beneficiaries contribute to the cost of infrastructure, rather than just users, substantially expands the funding stream available for network investments, and greatly facilitates funding the improvements to the network which will be required in the Strategy.

The value capture approach has been successfully applied to development of both the Hong Kong MTR, and elements of the Japanese rail system. Whilst both are passenger networks these successes provide strong evidence of the ability to apply this concept in practice and the benefits for infrastructure quality and efficiency it makes possible.

Goals of the NLFS

IA has proposed a number of goals for the NLFS to deliver the vision. In general these appear sensible means to the end, although economic efficiency may dictate the extent of implementation.

1. High productivity vehicle capability and access

High Productivity Vehicle is a term associated with road vehicles. The companies endorse the view of a goal to use the optimal safe and efficient configuration of freight vehicles on both road and rail, but believe this goal should be a generic one covering both modes, and including vehicles used for road access to intermodal terminals, and to both bulk and container export ports.

2. Modern operating procedures and application of smart technologies

The companies support this goal. Rail & road have made some progress in this area, but further improvements are required. In rail, this must include efficient network management and train control systems, as well as the efficiency of rollingstock and terminals.

3. Appropriate levels of separation of personal & freight transport in urban areas, including dedicated rail infrastructure

The core need for freight is committed capacity, meeting efficient performance standards, to allow freight, both road and rail, to operate efficiently on core urban corridors even during periods of high use of personal transport.

Separation is one strategy to achieve this committed capacity, and in the absence of an effective governance structure for the rights of freight to receive network capacity, may be the only practical solution. However it is usually a costly solution, which generally sub-optimises the overall use of installed infrastructure, and may be difficult to either justify or fund.

Unless separation is required for technical and operational reasons e.g. separation of conventional freight trains from very fast train passenger services, the companies believe that effective freight network governance structures, and enforceable network usage protocols, for both road and rail, should be the first avenue to achieve the required efficient capacity for freight.

If application of these protocols is unable to provide adequate capacity, then separation may be required, at which level of activity a viable business case may well then exist.

Reflecting this, this submission proposes that the goal be expressed in terms of the end required, effective freight capacity, rather than separation as a means to that end.

4. Infrastructure and operational performance indicators, allowing for international comparisons in terms of matters such as asset utilisation, density, transit times, availability and reliability.

Network performance data is essential to understand actual network performance, and trends which may require action to increase capacity or otherwise improve outcomes. Rail already has some established performance measures in place addressing this need.

Data should be chosen and gathered to provide a factual basis for

- Objective improvement to capacity management
- Identification and delivery of tailored capacity expansion when needed
- Effective and equitable charging for use of capacity

Fitness of these measures for domestic management of the network and implementation of improvement should therefore be the first concern in putting these in place.

Avoidance of distortions in international benchmarking is always difficult and gathering data for this purpose appears of limited value.

Priorities for Action

The companies have concerns with the priorities proposed by IA.

In particular IA's first priority in the Discussion Paper, to identify impediments to use of high productivity vehicles, appears misplaced, because the NTC is already addressing this issue with stakeholders. It also appears a distraction from the priority to establish the NLFS on a sound basis.

The companies propose the following priorities:

1. Establish a Robust and Enduring NLFS Process

The task to establish and maintain an endorsed National Land Freight Strategy of the scope proposed by IA is an ambitious one, involving as it does eight jurisdictions with differing policy perspectives, and numerous other significant stakeholders.

Efforts to resolve much smaller and less complex issues have in the past either failed, or as IA notes in the discussion paper, atrophied to the stage where outcomes are slow and limited in benefit.

Past policy and planning initiatives have been similarly affected. For example

- In 2003, COAG laid down clear and well structured Land-use and Transport planning principles¹. However there is little evidence of these being implemented.
- In 2008 the companies made an extensive submission to IA outlining a vision for the East Coast rail freight corridor between Melbourne and Brisbane². Investment proposals were identified and supported by financial analysis. On a lesser scale, this incorporated the approach proposed for a NLFS. However dialogue on this proposal is yet to commence.

The companies believe that the NLFS will be a necessary and useful document, and that it should become an enduring and valuable part of national infrastructure and regulatory planning. It needs however to avoid the fate of past planning initiatives including those outlined above.

Achieving this requires that the processes and objectives driving the creation, ongoing updating, and use of the NLFS are clear, objective, and enjoy a high level of support and commitment from the jurisdictions and other stakeholders. The also need to receive bi-partisan support so that the strategy is maintained in spite of changes of Government, whether Federal or State.

The companies therefore consider that IA's first priority should be to put these processes in place, and secure the required level of commitment to the outcomes.

This should include reaching agreement on

- a) Identification of a national body, such as IA, with responsibility and resources to develop and implement the plan. This body needs to have both authority, and responsibility, to manage the development and implementation process.
- b) Quantified criteria for determination of the corridors to be included in the NLFS, and consequent definition of an initial NLFS network;
- c) Transparent processes to determine priorities for implementation, set milestones, and report on progress.
- d) Integration of freight network funding with management & implementation of the NLFS.
- e) Processes to reach agreement where a corridor spans more than one jurisdiction, and to manage updating of the strategy;

¹ "ATC Charter of Integrated Land-use and Transport Planning 2003

² "Reforming the East Coast Intermodal Rail Supply Chain" – ARTC, Asciano & QR National October 2008

- f) Processes to ensure integration with the National Ports Strategy, so that landside port supply chain capacity & efficiency issues e.g. provision of rail capacity, and improvements such as balloon loops, are effectively managed.
- g) Development of governance statements for the National Freight Network, including:
 - Practical expression of the concept of "access rights for freight"
 - Processes for freight to invest in capacity on the network
 - Structures for requiring funding contributions to new infrastructure from other major beneficiaries e.g. around terminals.
 - Other requirements e.g. demand forecasting, for corridors included on the network;
 - The consequent rights and responsibilities of the key stakeholders.

The companies are prepared to effectively contribute to this process.

The companies regard the setting up of these endorsed rigorous structures and processes as a prerequisite to work on the NLFS. In the absence of this work, the companies see limited prospect of this approach being sustained and thereby adding long term value and would have to consider their allocation of resources to the development accordingly.

2. Accelerate Complementary Reforms

A number of other reforms appear complementary to an NLFS, and are required whether or not the NLFS proceeds:

a) Heavy Vehicle Road Pricing Reform

There are concerns that the CRRP process for mass/distance/location charging for heavy vehicles has slowed through too broad a scope of reform. The limited scope of the NLFN allows greater focus on implementing heavy vehicle pricing on the core freight networks. Such an approach aligns with the Henry review which suggested that the focus of Mass Distance Location (MDL) charging should be where there is competition between road and rail.

This enhanced economic efficiency creates more efficient modal shares & enables modal demand to better align with the underlying economics.

Work on the CRRP should be accelerated around prompt resolution of road freight pricing for the key freight corridors where there is strong intermodal competition.

b) Establish Commercial Network Management

Ongoing management of the NLFN would be facilitated by national freight network management structures. In rail, this is already substantially provided by ARTC but no equivalent body exists for road freight networks.

It may be time for Governments to consider establishing a national road corporation to manage the road freight infrastructure in the National Land Freight Network similar to the consolidation of the national rail network under ARTC.

c) Accelerate Key Land use Planning Decisions

Some critical land-use planning issues require action by Government, in particular new intermodal terminal sites in Melbourne and Sydney. There is also a need for increased focus on reservation of corridors and terminal sites for long-term enhancements to the network, and better attention to encouraging major freight generating activities to locate in areas with current or planned future access to good rail connections.

Rail Freight Industry contribution to an NLFS

Assuming that the NLFS processes are robustly established, and consensus exists around the need for a NLFS, the companies are ready to make a significant contribution to the long term vision for the interstate rail component of the NLFS.

In the short – medium term, there are a number of productivity enhancements that the industry sees as it being desirable to pursue on the national network. These include ATMS, double-stacking in South-East Australia and track strengthening for higher axle loads.

These and other issues could form part of a longer term vision for the national rail freight network which would be prepared by the rail industry as part of the development of a NLFS.