



Transport

ORIGINAL

TR11/05132

Mr Michael Deegan
Infrastructure Coordinator
Infrastructure Australia
Level 21, Deutsche Bank Building
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Sydney NSW 2000

Dear Mr Deegan,

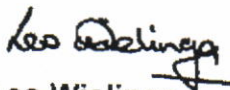
I am writing in response to the release of the *National Land Freight Strategy: Discussion Paper*.

Overall, NSW agencies welcome the release of the Discussion Paper and believe it captures some very important issues, particularly given that the forecast growth in population, housing and employment for Sydney and NSW over the next 25 years will generate significant growth in freight.

The Paper however is conceptual in parts and leaves many uncertainties from a Government perspective. While the paper provides a useful starting point, NSW would expect that a National Land Freight Strategy would clearly identify the existing and yet-to-be built roads, rail lines, intermodals, ports and airports which will link together to form a workable, truly national freight network. This should be overlaid with the most appropriate and efficient policy, regulatory and governance frameworks. More detailed comments are attached.

NSW agencies would welcome the opportunity to continue working with Infrastructure Australia to further develop the Strategy to meet this expectation. The relevant Department of Transport contact for this response is Dimi Rigas, A/Manager, National Policy and Coordination who can be contacted on 8202 3823 or dimi.rigas@transport.nsw.gov.au

Yours sincerely,


Les Wielinga
Director General

SCANNED

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NSW welcomes the release of the National Land Freight Strategy Discussion Paper (the Paper) and is pleased to offer the following comments:

Introduction

The freight task in NSW and nationally is expected to grow significantly. Over the next 25 years, the forecast growth in population, housing and employment for Sydney and NSW will generate significant growth in freight. The Bureau of Infrastructure, Transport and Regional Economics has forecast that the national freight task will double by 2030.

In this context, it is essential that planning and investment in freight infrastructure supports this anticipated growth and leverages productivity gains in the national interest.

The National Land Freight Strategy Discussion Paper argues that a national land freight network strategy would assist in ensuring that rail and road freight infrastructure planning and investment are jointly improved.

General

Overall, the Paper clearly articulates the need to improve freight efficiency in order to increase productivity and to do this in a national sense. From a high level perspective, the vision, objectives and priorities outlined are supported. Further, the case for a national land freight network strategy and change more broadly as presented on page 42 is largely compelling. NSW would broadly agree with the argument that freight has been, and is, inhibited by market imperfections, suffers from fragmented policy development and institutional arrangements. However, NSW is unable to provide definitive comments due to the generic and high level nature of the document.

Therefore, the Paper would benefit from the consideration of a number of additional issues. Namely:

- Clearer specification of the policy objectives, strategies, outcomes and timelines that are sought and their wider implications. For example, for more freight to be moved on rail or on higher productivity vehicles, there will be implications for government's social objectives of maintaining community amenity, environmental protection and regional connectivity. While NSW is not seeking to downplay the importance of freight transport, the paper needs to acknowledge the importance of passenger transport and the value that it adds to the community and the economy.
- Clearer expression of how the preferred solutions and options in Part 7 are connected with the identified problems and what the actual benefits would be if supported and implemented. Any future recommendations included in a final National Land Freight Strategy will need to reconcile the differing responsibilities of the three levels of Government, as well as those of industry.
- Explicit acknowledgment that freight volumes are related to population growth and to the location of that population. Therefore, a large proportion of freight ends up

where it is consumed and consequently principal freight nodes are only part of the total analysis and the paper should reflect this.

- The consideration of the need for "sustainability". In particular, this criterion is not included in the long-term goals. While one perspective may defend this on the basis that there is a need to "sweat the asset", this risks a focus on short-term productivity gains at the expense of long-term infrastructure problems.
- The conceptualisation of an 'on-network' and 'off-network' and a focus on the 'on-network' does not sufficiently address where most of the difficulties in freight are. Therefore, a greater emphasis and recognition of the regional perspective, that is, the 'first' and 'last' mile issues. The role of local councils (who manage a large proportion of the roads freight travel on) also needs to be captured and considered. There also appears to be an untested underlying assumption that there is additional productivity to be extracted from the road network
- A greater exploration and anticipation of future technological innovations and how these will impact of freight flows.
- A greater analysis of Strategic Land Use Planning through highlighting the role and importance of key places and corridors; e.g New England Highway vs Pacific Highway for interstate freight; the separation of commuter and freight rail in Sydney; priority future rail freight lines in Sydney, Newcastle, Wollongong and regionally; the location and role of intermodal terminals.
- A greater exploration and anticipation of improved communication and data exchanges between freight logistical providers and how these improvements will impact on the efficiency and cost of freight flows.
- Further analysis of potential road safety impacts of the increased freight task; e.g increase of heavy vehicles in urban areas.

Priority Actions

Comments on the five priority actions are:

1) Identifying a national land freight network

In order to make comprehensive comments on identifying a national land freight network a clearer connection between what is described on pages 58-60 and Map 4 is required. In the first instance however, NSW does support the inclusion of all 3 major ports (Port Botany, Port of Newcastle and Port Kembla) in the network as an improvement on the former AusLink network.

Current and future freight industrial land clusters also need to be included. These clusters provide sites for the supporting freight related businesses which need to locate close to freight nodes or corridors. Other examples that could be included are a potential second Sydney Airport and an expanded Higher Productivity Vehicle/Higher Mass Limits network. The overview map in the *Metropolitan Plan for Sydney 2036*¹ is a good example of what could be illustrative and useful in the national strategy as well.

¹ http://www.metroplansydney.nsw.gov.au/Portals/0/pdf/Metro2036_OVERVIEW_MAP.pdf

The Paper as drafted is based on two concepts of a national network – one that is ‘on-network’ and one that ‘off-network’. The assumption seems to be a relatively small ‘on-network’ which is largely commercially viable and self-funding by industry (at least in the longer term) and the rest is ‘off-network’. NSW questions the practical viability of this sort of distinction, especially given the fact that most of the freight network in Australia (both road and rail) is shared infrastructure by both freight and passenger services.

The network improvement principles outlined on page 59 would benefit from some explanation as to how they would be assessed as well as consideration as to how potential conflict between two would be resolved. For example, how would “improvement for freight, subject to contribution from freight” and “contribution to overall community benefit” be reconciled in practice?

Finally, the methodology for assessment and approval of nominations needs to be further expanded.

2) Completing a strategy

While long term planning is supported, 50 years is a very long timeframe and has its limitations. That time period will inevitably see significant changes in conditions such as growth in demand for goods and changes in land use. Therefore regular review points need to be embedded into the framework.

NSW also supports integration with other planning documents such as the National Ports Strategy, the Metropolitan Plan for Sydney, the suite of NSW Regional Strategies and the NSW Freight Strategy which is currently being developed. The NSW Freight Strategy will provide a strategic framework and short, medium and long term priorities to improve freight movement and inform Government and private sector investment decisions.

In terms of the creation of an ‘independent body’ to oversee the development and publication of the plan, further consideration is required to determine its appropriateness. A stronger case would need to be put forward for the establishment of such a body, including clearer specification of the benefits it would deliver. As Governments have a central role in determining priorities in their jurisdictions, any new body will have to have a well defined scope with roles and responsibilities clearly articulated at the outset.

Whilst the national energy market may provide some useful analogies to the option of a national-level body, NSW notes that transport has markedly different characteristics to energy, especially in terms of its market structure and users. Therefore, easy comparisons with the national energy market and transference of approaches in that sector to transport should be made cautiously.

NSW agrees that forecasting and the creation of a robust and sound ‘evidence base’ which is of critical importance for future infrastructure, including freight development and planning. In finalising the National Freight Strategy, Infrastructure Australia should give further consideration as to which body should have responsibility for creating the national base line projections.

3) Ensuring plans can be executed

This priority action lacks sufficient explanation to allow for substantial comments. The Paper seems to be suggesting that the governance, reporting and oversight requirements outlined in the National Ports Strategy will be repeated to ensure that the National Freight Strategy is implemented.

NSW does not support the same framework being established in this context, especially given COAG's agreement that an implementation plan needs to first be developed for the National Ports Strategy. Any suggestion of "assessment" of local plans needs to be clarified, particularly concerning the proposed process for reporting and how onerous this process will be.

NSW agrees with the general proposition that more nationally consistent environmental management regimes and more streamlined approval processes are warranted to simplify planning processes. However, these are complex reforms which cover multiple government portfolios and therefore careful consideration needs to be given as to how they will be implemented. For example, suggestions of a 'freight policy veto' on certain planning decisions are too simplistic and difficult to implement. NSW questions whether leverage can be obtained via reforms already underway, especially the COAG Capital Cities Strategic Planning agenda.

4) Freight infrastructure improvement and access

NSW agrees that freight infrastructure pricing and priority-setting raises complex issues. The COAG Road Reform Plan (CRRP) is a well established body of work with a Feasibility Study due to COAG at the end of the year. NSW believes this will be an important document to inform future actions in this area.

NSW notes that there are already opportunities for incremental pricing trials and points out that it has been actively pursuing incremental pricing trials under the COAG Road Reform Plan since 2007. While there has been significant interest in the trials from both industry and local governments, progress to date has been largely hampered by infrastructure constraints. Given the limited nature of the trials, it has not been feasible to overcome these limitations or address the underlying infrastructure issues.

However, NSW sees merit in undertaking further trials of incremental pricing, including further consideration of trials of direct charging arrangements for heavy vehicles beyond the scope of 'incremental pricing'. That is, full activity based charging for higher productivity vehicles (rather than just 'incremental' based charging).

The Paper suggests that alternative access arrangements for vehicles akin to 'property rights' under an 'arbitrate and negotiate' model are worth exploring. While NSW does not dismiss alternative models, these models need to be practical and need to take into consideration the shared nature of much of the infrastructure and the 'passenger priority' of much of urban-rail lines at certain times of the day. Further, implementing an 'arbitrate and negotiate' approach to infrastructure access pricing in the road sector can not ignore the 'general access' given to the majority of heavy vehicles. Any arbiter in such a scenario

would need to acknowledge requirements of infrastructure owners, who in the main are governments.

Issues of connectivity to the 'off-network' are critical in this area and without consideration of these matters, the Paper is largely incomplete. From a Government perspective, it will be difficult to enable the benefits from the 'on-network' (i.e. the more commercial part of the network) without understanding and resolving issues 'off-network' (i.e. the less commercial part of the network). For example, there is potential for addressing 'last mile' issues by maximising the utilisation of the existing infrastructure and consequently delivering significant returns on investment. In order to provide meaningful comment on the benefits and architecture of a national freight network, governments need to understand how all aspects of the freight network interconnect.

5) Governance

NSW agrees that any national freight strategy will need an appropriate governance framework that clearly sets out the roles and responsibilities of key stakeholders. While this priority action is called 'governance' its content seems to relate more to 'market reform'. While these two issues can be connected, they are quite distinct and this section should clearly differentiate between the two or be renamed.

NSW agrees that improved governance arrangements are needed, and suggests that this section should focus initially on governance in terms of coordination arrangements, and then focus on the analysis of appropriate market structures once these initial arrangements are improved and embedded.

Therefore, NSW is of the view that the conclusion of a 'national commission' or 'national economic regulator' is premature. Introducing a 'complete transport market' for infrastructure is a very long term reform (if indeed it is entirely desirable or possible) and therefore, NSW would suggest a better focus would be to improve state cooperation in the first instance, before contemplating such ambitious, 'blue sky' reform proposals. More options, attributed to broad timelines (short, medium and long term) should be included.

The discussion of options should also acknowledge the significant challenges that would need to be overcome prior to implementation. For example, introducing some form of activity based charging for heavy vehicles in Sydney will be difficult, requiring renegotiating the varied and many contracts within the existing toll road operators, the consideration of the future of 'Cashback' on the M5, and the application (or reapplication) of tolls to the parts of the motorway not currently subject to tolls. Consideration needs to be given to how this would be communicated and ultimately negotiated within the broader community.

Conclusion

Overall, NSW sees merit in the draft Paper and believes it captures some very important issues, however it is quite conceptual and leaves many uncertainties from a government perspective – particularly for example how the 'on-network' and 'off-network' framework complement each other. Fundamentally, NSW would expect that a National Land Freight Strategy would clearly identify the existing and yet-to-be built roads, rail lines, intermodals, ports and airports which will link together to form a workable, truly national freight

network. This should be overlaid with the most appropriate and efficient policy, regulatory and governance frameworks.

NSW agencies would be pleased to continue working with Infrastructure Australia to develop a Strategy which meets this fundamental expectation.

