



Port Botany Landside Improvement Strategy



(PBLIS)

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About NSW Farmers

NSW Farmers is Australia’s largest state farming organisation, representing the interests of its farmer members in the state. We are Australia’s only state-based farming organisation that represents farmers across all agricultural commodities. We speak up on issues that matter to farmers, whether it’s the environment, biosecurity, water, animal welfare, economics, trade, or rural and regional affairs.

Agriculture is an economic ‘engine’ industry in New South Wales. Farmers across the state produce more than \$17 billion worth of food and fibre every year, or around 25 per cent of total national production, and contribute significantly to the state’s total exports. Agriculture is the heartbeat of regional communities, directly employing almost two per cent of the state’s workers and supporting roles in processing, manufacturing, retail, and hospitality across regional and metropolitan areas. The sector hopes to grow this contribution even further by working toward the target of \$30 billion in economic output by 2030.

We have teams working across regional New South Wales and in Sydney to ensure key policies and messages travel from paddock to Parliament. Our regional branch network ensures local voices guide and shape our positions on issues affecting real people in real communities. Our Branch members bring policy ideas to Annual Conference, our Advisory Committees provide specialist, practical advice to decision makers on issues affecting the sector, and our 60-member Executive Council makes the final decision on the policies we advocate on.

As well as advocating for farmers on issues that shape agriculture and regional areas, we provide direct business support and advice to our members. Our workplace relations team has a history of providing tailored, affordable business advice that can save our members thousands of dollars. Meanwhile, we maintain partnerships and alliances with like-minded organisations, universities, government agencies and commercial businesses across Australia. We are also a proud founding member of the National Farmers’ Federation.

Executive Summary

Access to export markets is critical for agriculture across NSW. Any inefficiencies in the supply chain add cost and have a tangible negative impact on the capacity for Australian produce to further expand.

Data from the NSW Department of Primary Industries shows that the State's primary industries' exports increased by 17% to \$6.6 billion in 2020-21.

Port charges in Australia are significantly higher than in other countries, and investment significantly weaker. Poor rail quality due to lack of investment, and the need to share this infrastructure with expanding commuter services, is a growing concern.

It is of significant concern that congestion in and around ports is where bottlenecks occur, not necessarily at the port loading facilities themselves. This is especially true at Port Botany, which requires trucks to travel through Sydney and can also only fit certain sized trains.

Without significant improvement in the rail access to and operations at Port Botany that should come out of this independent review, the current supply chain challenges will increase over time and will reduce the competitiveness of NSW grain exports.

The Port Botany Landside Improvement Strategy must be maintained, and reform options should be stronger than what is currently being proposed to deregulate the Port. There is a real risk that deregulation will lead to increased costs for agricultural exporters.

NSW Farmers' is concerned that the issues paper seeks to shift the landside arrangements at Port Botany from a regulated price and booking structure to voluntary arrangements. The paper does not tackle the important issues for regional exporters, such as examining world's best practice and the high cost of using ports in Australia compared to the world.

NSW Farmers provides specific comments against the Port Botany Landside Improvement Strategy – Option D – The performance of rail and its impacts on the Port Botany container task.

Recommendations

- D19** The NSW Government continue the regulated model until there are significant improvements in rail access; and require that any fee increase only be considered where there is a demonstrated improvement in operational service that delivers a net tangible reduction in overall cost to regional exporters.
- D20** Data on rail movements, interaction with road transport for last mile access, and the freight activity by sector be published by Transport for NSW and available through a new Freight Community System as proposed as Option B14 in this Review.
- D21** The NSW Government take a leading role to ensure efficient freight rail access outcomes are achieved by negotiating a Freight Level of Service (FLOS) agreement between Sydney Trains and ARTC to ensure greater surety for rail pathing and performance for port rail services, prioritising regional freight access.
- D22** A right to an agnostic train path for rail operators that allows for a rail window to be better recognised and accounted for.
- D23** The business case for the Western Sydney Freight Line explicitly includes its value in the delivery of improved rail freight access to Port Botany.

Overview

NSW Farmers' welcomes the opportunity to provide comment on the Port Botany Landside Improvement Strategy (PBLIS). It is noted that under the current strategy the Minister can regulate the provision of rail servicing by the stevedores at Port Botany, but this does not extend to the operation of any railway outside a port or supply chain facility.

The inclusion of consideration of the broader inflexibilities of rail by the Review is long overdue and it is pleasing that the Review recognises the importance of this in delivering performance enhancement by the inclusion of Option D.

The value of broader freight movement to the State economy based on Transport for NSW¹ projections show an increase from 482 million tonnes in 2016 to 618 million tonnes by 2036. During the same period, container cargo handled at Port Botany is forecast to increase from 14.4 million tonnes to 25.5 million tonnes – an increase of 77 per cent. This includes a projected 15 per cent increase in volume of agricultural produce from regional areas.

This increase cannot be accommodated by road, recognised in the NSW Freight and Ports Plan 2018-2023 by a commitment to increase the road to rail share of rail freight at Port Botany to 28 percent by 2021. However, the 2021 Auditor General Report shows that this was at 16 per cent.²

The Auditor General also recommended that Transport agencies should undertake the following – all relevant to the PBLIS Review:

- commit, as part of the review of Future Transport 2056, to delivering the freight-specific strategies currently in development and develop whole-of-cluster accountability for this work including timeframes, specific targets and clear roles and responsibilities
- improve the collection and sharing of freight data
- develop a plan to reduce avoidable freight delays
- systematically collect data on the management of all delays involving and/or impacting rail-freight
- develop and implement key performance indicators for the agreements between the transport agencies

Access to export markets is critical for agriculture across NSW. Any inefficiencies in the supply chain add cost and have a tangible negative impact on the capacity for Australian produce to further expand.

Data from the NSW Department of Primary Industries shows that the State's primary industries' exports increased by 17% to \$6.6 billion in 2020-21. This was a record high, exceeding the previous record set in 2016-17. Primary Industries' share of total NSW exports was 14%, up from 11% in 2019-20.³

The value of the primary producer export cannot be understated. While livestock exports continue to be the highest value, \$3.6 billion, the output was down by 15%; while the value of broadacre crop exports (barley, sorghum, chickpeas, canola and wheat) rose 269% to \$2.6 billion.

¹ NSW Freight and Ports Plan 2018-2023, Transport for NSW, September 2018

² Rail freight and Greater Sydney, NSW Auditor General, October 2021

³ Performance, Data and Insights 2021, NSW Department of Primary Industries
<https://www.dpi.nsw.gov.au/about-us/publications/pdi/2021>

Both of these sectors have a significant reliance on shipping, either as containerised product or as bulk cargo to move the product internationally. Both therefore require efficiencies in the supply chain to ensure continuity of market access.

The current and future value of international grain sales is shown in the below table. ABS data shows that over a 5-year average (2012-2016) of the grain exports from NSW ports, just under 40% were containerised and the balance being bulk.

Export Value (NSW)	Units	2016-17	2017-18	2018-19	2019-20	2020-21 e	Year on Year Change (%)	5 Year MA Change (%)
Wheat	\$m	1,189.7	491.5	94.1	46.5	1,422.9	2962%	119%
Barley	\$m	0.1	0	0.2	0.5	48.9	9667%	392%
Sorghum	\$m	55.5	41.5	5.6	1.3	68.8	5218%	99%
soybeans & canola	\$m	217.1	36.7	18.2	3.8	448.8	11762%	210%
Chickpeas	\$m	531.7	333.3	56.9	53	215.3	306%	-10%
Rice (Aust)	\$m	149.3	310.9	273.1	134.7	34.6	-74%	-81%

Grain growers and exporters require certainty of access to port facilities. This will only be achieved if there is significant improvement in the rail access to all ports in NSW – Botany, Port Kembla and Newcastle.

Considering the value of grain exports to the NSW economy, it is challenging for those exporting broadacre crops that Port Kembla, Newcastle and Port Botany appear to be challenged in increasing their export volume. This can only be addressed through greater land side efficiencies, especially rail access.

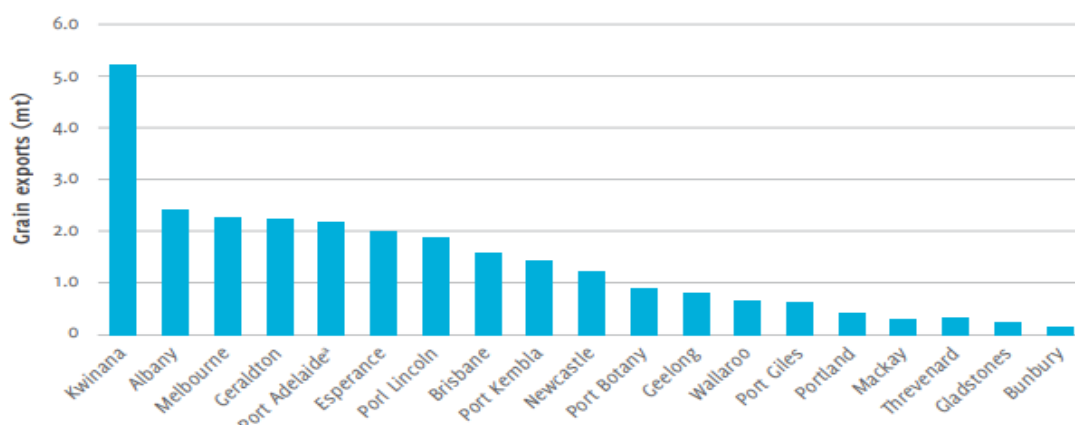


Figure 19 Total mass of grain exported from Australian ports annually, averaged from 2008-09 to 2016-17

Note: Where multiple service providers operate at a port (see Figure 22), figures indicate total mass of grain exported by all service providers (bulk and containers).

* Port Adelaide include both Inner Harbour and Outer Harbor

Source: Ports Australia

The two most expensive parts of the supply chain, (a) transport from handling sites to port and (b) port charges, are the areas where most supply chain issues have been identified and therefore where the highest cost savings could be achieved. For example, supply chain costs to port account for approximately 40% of the delivered cost of wheat in NSW.

It is of significant concern that congestion in and around ports is where bottlenecks occur, not necessarily at the port loading facilities themselves. This is especially true at Port Botany, which requires trucks to travel through Sydney and can also only fit certain sized trains.

Port charges in Australia are significantly higher than in other countries, and investment significantly weaker. Poor rail quality due to lack of investment, and the need to share this infrastructure with expanding commuter services, is a growing concern.

Farmers and regional exporters are already operating in an environment of heightened costs because of the global COVID-19 pandemic. Though prices have reduced slightly from the extreme highs of 2021, global prices are expected to stay high and are not expected to return to pre-pandemic lows. This is due to the global container shipping industry, which is now impacted by broader structural factors, including a weaker global economy, higher operational costs, geopolitical uncertainty, and imbalanced trade flows.

The cost of shipping remains three to five times higher than pre-pandemic levels and the reliability of oceanic container freight schedules has dropped from 80 per cent to 30 per cent.⁴ There continues to be a global issue of port congestion and the slow addition of new shipping capacity. All this is now accentuated by the high inflation and the low demand throughout the global economy.

Grain trade, depending on seasonal variability operates at the margin of Port Botany. The vertically separated rail and port supply chain leads to increased costs of access during large seasons and highlights the challenges faced by primary producers.

Without significant improvement in the rail access to and operations at Port Botany that should come out of this independent review, the current supply chain challenges will increase over time and will reduce the competitiveness of NSW grain exports.

NSW Farmers' is concerned that the issues paper seeks to shift the landside arrangements at Port Botany from a regulated price and booking structure to voluntary arrangements. The paper does not tackle the important issues for regional exporters, such as examining world's best practice and the high cost of using ports in Australia compared to the world.

NSW Farmers strongly encourages ongoing regulation by the NSW Government, and highlights the value of this as an arbiter between the different interested parties that both manage and access the port.

The Port Botany Landside Improvement Strategy must be maintained, and reform options should be stronger than what is currently being proposed to deregulate the Port. There is a real risk that deregulation will lead to increased costs for agricultural exporters.

NSW Farmers provides specific comments against the Port Botany Landside Improvement Strategy – Option D – The performance of rail and its impacts on the Port Botany container task.

⁴Global Ocean Freight Outlook 2022, RaboResearch

<https://research.rabobank.com/far/en/sectors/fa-supply-chains/global-ocean-freight-outlook-2022.html>

Option D19 – Remove regulated rail booking fee structure

Review Intent: Remove the regulation of rail servicing and booking fees to allow stevedores to set fees and service rules as appropriate.

NSW Farmers supports the continuation of the regulation of rail servicing and booking fees as per the Ports and Maritime Administration Act 1995.

NSW Farmers recommends the NSW Government continue the regulated model until there are significant improvements in rail access; and require that any fee increase only be considered where there is a demonstrated improvement in operational service that delivers a net tangible reduction in overall cost to regional exporters.

NSW Farmers does not support the move away from government regulatory control of rail servicing and booking fees due to the real potential to adversely affect rural and regional exporters. There is a real concern regarding cost shifting from the quay side charging to terminal access fees and it is therefore critical that independent external oversight safeguards are in place to ensure transparency and accountability.

Infrastructure owners within Australia's international freight supply chain are effective monopolies, either through geography or due to practicalities of the freight system. Most Australian ports service a defined geographic footprint, and usually do not compete to attract throughput from other geographies.

Stevedores are effective monopolies due to the way freight supply chains operate. Freight users have limited choice regarding which stevedoring service to use. Containers are taken to port at their allotted slot, and the available stevedoring company will handle the container.

With only three freight handling ports in NSW, rural and regional exporters are limited in their options for exporting and stevedoring services. Port operators and stevedores can pass on all costs to landside services, and then to regional exporters. Their market power allows for autonomous price setting, without regard to supply and demand factors, fostering a lack of incentive to reduce costs and address inefficiencies.

This is highlighted in the ACCC's 2021 Container Stevedoring Monitoring Report which showed that prices for Port Botany have increased by 600% since 2017⁵, well above the inflation level. If the regulated rail booking fee structure is removed there would likely be further above inflation increases, in which the costs will be paid for by users of the ports such as regional exporters.

Regional exporters understand the need to increase investment in the port rail infrastructure and the improved services which have the potential to come from higher prices. However, given the market power as outlined above, an increased fee structure will not automatically flow onto an improved tangible experience for exporters.

As regional exporters are not able to negotiate reasonable lift charges with the port stevedores a deregulated fee structure for trains would likely lead to the same higher fee levels seen in road

⁵ Container Stevedoring Monitoring Report, ACCC 2021

<https://www.accc.gov.au/system/files/Container%20stevedoring%20monitoring%20report%202020-21.pdf>

transport access to the ports. Rail transport to Port Botany already pays additional track surcharges to ATRC to access Port Botany.

The Options Paper notes that the application of a \$540 per hour rails servicing charge plus penalties and incentives does not appear to have delivered improvement, concluding that the servicing fee has not delivered increased rail use as the numbers of containers has not moved above 16 per cent of containers entering or leaving Port Botany since 2015.

NSW Farmers considers this is an inappropriate measure of the value of the regulation as it fails to recognise any constraints on increased rail freight movement that have occurred due to increased pressure on an already congested consumer and rail freight network as the proposed duplication of the Port Botany rail line will not be delivered by the Australian Government until 2030.

Public information available from NSW Ports shows that 86% of regional State freight arrives at Port Botany by rail⁶. It is also worth noting that it takes a third less in rail movements (387,611 rail containers) than road movements (1,298,289) to supply this freight, but that inefficiencies for rail adds cost and reduces returns for regional exporters.

NSW Farmers encourages the NSW Government to consider establishing a supply chain coordinator – like the Hunter Valley Coal Chain Coordinator (Option D22 response). This would add value by quantifying the impact of port side charges and access fees for both rail and road freight access to Port Botany.

Until there is greater certainty and transparency for the ‘on-time’ arrival of export produce via rail, the inefficiencies for ‘slot’ access portside, and associated costs will continue to affect the return for regional exporters.

Option D20 – Rail data transparency

Review intent: Make available information on stevedore rail window use, performance, and container tracking.

NSW Farmers recommends that data on rail movements, interaction with road transport for last mile access, and the freight activity by sector be published by Transport for NSW and available through a new Freight Community System as proposed as Option B14 in this Review

Data transparency is key for efficiency improvements across all areas of the port rail supply chain. This is important for improved decision making and monitoring of any interventions, especially as it relates to assessment of any changes recommended from the PBLIS review regarding stevedore window use, performance, and container tracking.

Data transparency as it relates to the location and status of individual rail containers will be critical to enable improved evidence-based decision-making for regional exporters who operate on a more

⁶ NSW Ports; <https://www.nswports.com.au/keeping-nsws-economy-moving-paddock-port>; 4 May 2022

seasonal basis and therefore have more uncertainty in their operations. The current data available relates only to the transportation method.

NSW Farmers considers there is value in capturing the following data:

- the volume of rail container transport separated by export and import,
- the volume by of export containers by commodity in greater detail than currently reported by NSW Ports,
- the movement of containers for export directly into the port,
- the financial impact of missed slots for rail container transport, and
- data by commodity type of containers delivered to stevedores by road that has been transferred from rail by regional exporters.

Option D21 – Improve governance frameworks

Review intent: Ensure public rail organisation (Sydney Trains and ARTC) requirements are appropriately aligned with the port rail task.

NSW Farmers recommends that the NSW Government take a leading role to ensure efficient freight rail access outcomes are achieved by negotiating a Freight Level of Service (FLOS) agreement between Sydney Trains and ARTC to ensure greater surety for rail pathing and performance for rail pathing and performance for port rail services, prioritising regional freight access.

The existing challenge of requiring coordinated access to rail by freight and passenger trains managed by Sydney Trains on the Sydney metropolitan lines is a significant impediment on the most congested network for the three ports. The lines service the most populous city in Australia as well as provide access to the busiest port in NSW.

While there are plans for dedicated rail infrastructure to address the congestion – Southern Sydney Freight Line, and the Western Sydney Freight Line – until these are delivered, and the interaction with the new Western Sydney Airport precinct is clarified; the critical need for improved governance and coordination between ARTC and Sydney Trains will be critical for improved Port Botany rail access.

According to NSW Ports by 2045, Port Botany project 3 million TEUs through rail, a significant uptick from the current 387,000 TEUs. Given current movement restrictions resulting from night curfews and the shared infrastructure by commuter and freight movements, there will be increasing pressure in existing infrastructure.

Although, as the Options Paper notes, more dedicated freight infrastructure will be built, there will be reduced dependency on the on Sydney Trains Passenger rail network. As these are significant infrastructure projects that will take time to deliver, improved governance agreements between different track operators must be a priority.

Without a strong business case, including identification of a range of change-based incentives, improved governance and agreement making between Sydney trains and the ARTC will be challenging to achieve.

A regional operator consigning containers by rail to Port Botany must negotiate with the Country Regional Network (UGL Limited), ARTC and Sydney Trains. This imposes a significant cost and time burden to navigate through different train path rules, operating arrangements, and different fixed and variable access fees between each track organisation.

NSW Farmers sees significant value for the movement of agricultural product by establishing:

- a. a consistent end-to-end track fee structure between providers, to avoid the cost of paying different fixed and variable fees as a regional exporter move between the tracks
- b. fairer access to paths that account for seasonal variations, rather than the high fixed costs for mandatory paths for the full year, which favours coal exporters.

Option D22 – Encourage voluntary arrangements

Review intent: Encourage the use of voluntary arrangements to improve coordination among private organisations in the rail supply chain.

NSW Farmers supports an independent, central process to coordinate rail pathing access into Sydney and the allocation of port stevedore windows to rail providers.

NSW Farmers recommends a right to an agnostic train path for rail operators that allows for a rail window to be better recognised and accounted for.

While the intent of this option is to improve coordination ‘inside’ the port gate NSW Farmers has significant concerns that this is too narrow a focus and will not deliver the improvements required to increase efficiencies and reduce costs for regional exporters.

The underlying issue that must be addressed is the compounding effect of ‘outside’ the port gate that results in missing slots and therefore added costs. This includes train delays, in part due to the shared rail infrastructure with commuter rail, and the onflow impact of curfews for rail movement across the metropolitan area because of unforeseen delays for rail movements.

Rail transport into Port Botany for regional exporters is dependent on having access to suitable port stevedore windows. However, this is currently not stevedore specific and therefore leads to inefficiencies and a complete lack of coordination. It also builds in inefficiencies due to over booking to manage the uncertainties of rail scheduling on the shared network.

As well as the challenge of the dependency on the shared passenger network, accessing port windows for rail has become more difficult given the need to manage complex operating constraints including matching port window times to train paths from regional areas.

Because of the high use and complexity of scheduling rail (freight and commuter) movements, NSW Farmers considers that any voluntary arrangement will end potentially being distorted by capacity to pay for prioritisation and the seasonal nature of production (certainty of supply).

Given that the change to a voluntary arrangement would require ACCC approval, NSW Farmers considers that the establishment of a dedicated unit, like the Hunter Valley Coal Chain Coordinator should be investigated. This model aligns capacity with demand, integrating maintenance and operation to synchronise the flow of raw product load points to end points through a broad network of interdependent infrastructure.

Option D23 – Examine additional future rail options

Review intent: As rail investments mature, consider further options for improving interface/coordination between supply chain participants and functions

NSW Farmers does not support changes to the delivery models for future rail operations into Port Botany, including the enforcement of standard length of trains, unless regional exporters are not disadvantaged and are compensated accordingly.

NSW Farmers recommends that the business case for the Western Sydney Freight Line explicitly includes its value in the delivery of improved rail freight access to Port Botany.

1. Develop more unified train planning for port trains

NSW Farmers does not support the suggested use of voluntary arrangements to improve coordination among all the different interested parties along the port supply chain. The NSW Government should lead the process of coordination to improve regional exporters access to stevedore windows.

2. 600 metre standard length for port shuttles

NSW Farmers does not support the proposal to set a standard of 600 metre trains as an efficiency measure as it would significantly disadvantage regional exporters. Any consideration of changes to access must consider the impact on regional exporters and ensure they are not disadvantaged, and if there is a financial impost of any change, these exporters are compensated accordingly.

The Options Paper notes that regional exporters operate trains of 900-1,200 metres and that a transition point could be established to break down these into the 600 metre lengths. This proposal does not recognise additional costs that would need to be factored in; or the additional scheduling for rail access required.

To be viable, operators of regional trains most often set the length at between 900 and 1200 metres. Any requirement to reduce the train length will add extra pressure on the network and add costs to operators. Given the commitment of the NSW Government to address the projected freight burden on roads, it will be important that any amendments to Port Botany access prioritises rail access.

As noted in the Options Paper infrastructure is being developed port side by NSW Ports for four (4) rail sidings. NSW Farmers considers any decoupling should be established within this development and not at an external additional development site.

3. Examine other delivery models for future port rail operations

NSW Farmers supports further analysis of the rail freight benefits proposed by the development of the Western Sydney Freight Line, including an in-depth analysis of the impact on regional rail freight. This should include but not be limited to benchmarking access and stevedore costs to Port Botany against national and international port operations; a review of track access fees; and an analysis of the cost of multiple container handing to deliver 600 metre trains to Port Botany.