Head Office, Building 1
11 Sir Donald Bradman Drive
Keswick Terminal
Adelaide, South Australia 5000

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# Submission in response to Ports and Maritime Administration Act 1995 and Port Botany Landside Improvement Strategy

## Background

The Australian Rail Track Corporation (ARTC) is proud of the vital role we play in Australia's transport supply chain and in the economic development of the nation. As one of the country's largest Rail Infrastructure Managers, ARTC maintains and operates 8,500km of the national rail network across five states, managing the transit of around 450 trains per day across New South Wales, Victoria, Queensland, South Australia and Western Australia.

Each day our network transports intermodal containers, agricultural products, general freight and passenger services, as well as hundreds of thousands of tonnes of coal and minerals. We get freight off roads and reduce congestion, which improves our environment and increases the safety of motorists and local communities.

We continue to meet the changing needs of our customers and are committed to the health and safety of our people, the environment and the local communities in which we operate.

## Introduction

ARTC supports the NSW Government's effort in freight policy reform through the simultaneous NSW Freight Policy Reform program, review of the Heavy Vehicle Access Policy, and this PBLIS review. We welcome the opportunity to provide feedback on these important elements of the freight and supply chain.

ARTC has made a submission in response to the NSW Freight Policy Reform Discussion Paper and that contains our key messages on issues and opportunities across the overall supply chain across NSW. In particular, the need for an infrastructure masterplan enabling the NSW Government to determine investment decisions in a way that would ensure greatest efficiency, based on least cost across the entire freight supply chain.

The proposed changes to the PBLIS are wide-ranging and ARTC takes particular interest in the recommendations on greater coordination of the Port Botany freight task, data transparency and port rail access but believes that further steps could be taken to maximise the efficiency of the port and supply chain. This is consistent with ARTC's broader Freight Reform recommendations and a necessary condition to drive overall system efficiency.

The efficiency of Port Botany is critical to the national freight task and the economic wellbeing of NSW and Australia. ARTC supported the implementation of PBLIS when first announced in the mid-2000s and its objective of improving efficiency of the port, including to improve rail freight modal share. ARTC understands the urgency on the need to move more freight into and out of Port Botany by rail and has supported the NSW Government's targets of 28 per cent of containers moved on rail by 2021 and 3 million TEUs on rail by 2045.

Notwithstanding the significant investments in rail infrastructure outlined below, rail freight modal share into and out of Port Botany remains largely unchanged at just 16 per cent. For the supply chain to be at its most efficient, rail modal share needs to increase significantly, and this can only be achieved through a focus on overall system efficiency supported by a commercial framework which creates the appropriate incentives to deliver the optimal outcome for the people of NSW.

Otherwise, significant investments in alternative containers terminals and associated infrastructure are brought forward earlier than required because of the inability of road freight to move the projected volumes through Port Botany, sterilising the port's throughput capacity.

**ARTC and Industry Investment**

The Australian Government through ARTC has invested significantly into the rail freight network in Sydney since commencing its NSW lease in 2004 including taking control of and upgrading Botany Yard, delivering the Southern Sydney Freight Line, upgrading the Metropolitan Freight Network and Port Botany Rail Line, supporting the Northern Sydney Freight Corridor program, and most recently commissioning the Cabramatta loop and Port Botany rail line duplication. The combination of these has delivered a robust, dedicated rail freight connection that meets current and future demand.

These investments have supported the growth of a metropolitan port-shuttle network across Sydney, in addition to supporting regular regional services operating directly into Port Botany. ARTC is pleased with complimentary investments by industry in recent years aimed at increasing efficiency to increase the attractiveness of rail freight, with a focus on 600-metre length trains, which appears to be the accepted optimal length by industry.

The completion of the Moorebank Intermodal Terminal has provided the industry with the first large, open-access, co-located terminal in metropolitan Sydney and serves as the ideal model going-forward. Complementing this is the investment by NSW Ports and the stevedores into matching facilities at their respective rail terminals at Port Botany that has been delivered at Patricks and will be in the coming years at Hutchison and DP World terminals. The combination of these will ensure that the rail freight supply chain between the regions, metropolitan Sydney and Port Botany is the most efficient means to move containers into and out of the port.

**Potential operational improvements for rail**

One area for potential efficiency gain is reducing the impact of regional trains that enter the port. The current configuration of regional trains that directly service the port are longer than 1,200 metres compared with the stevedore rail sidings of between 580-600 metres in length. The long length requires the operators to break up the trains, which occupies track and yard capacity, causing inefficiencies and can be subject to delays. A long regional train can take up to 12 hours to be serviced comprising of being broken up, wagons unloaded and loaded at particular stevedores, the train being re-amalgamated and departing. This time limits both port and rail network efficiency. The costs of this network efficiency are not reflected in the charges for the regional train, but rather borne by the infrastructure owner and the State of NSW via the externality costs imposed by system inefficiency.

The most efficient use of port rail capacity would be to break up these trains at a metropolitan terminal and travel in as shuttles. However, this imposes a direct cost on the regional freight owner, who does not benefit from the network efficiency (e.g. lack of commercial alignment) and also assumes the use of rail via Moorebank so raises potential issues with concentration of ownership.

The port issue therefore highlights the impact of the lack of master planning, the lack of transparent data, the impact of concentrated ownership and cross network harmonisation and the lack of an aligned commercial frameworks; in short, the overarching the overarching problems identified by ARTC.

This also highlights the role of intermodal terminals in the supply chain, and the need to shift freight to and from those terminals to freight distribution centres; that is the pickup and delivery (PUD) issue. PUD is specific to the rail mode as it is required to complete the door-to-door service which road transport can provide. Assessing the impact of PUD, and the ability to minimise it through co-location of terminals and distribution centres should be a key aspect of supply chain master planning. This necessarily extends into the long-term preservation of land to ensure future freight needs are not constrained by lack of land access.

**Commercial incentives**

The current heavy vehicle pricing arrangements create the wrong commercial incentives for freight as they do not cover the externality costs created by heavy vehicle movements including congestion, emissions, infrastructure, safety and amenity. This distorts the commercial incentives to move freight and ensures the cost of moving freight by road will continue to maintain an advantage over rail freight, which increases road's modal share and artificially reduces the throughput capacity of the port because heavy vehicles cannot move the expected freight task.

The development of road user access charges that reflect both the direct and societal cost of that access, is the primary policy that can address this excess utilisation. By efficiently pricing heavy vehicle traffic to reflect the cost it imposes on the community, the commercial incentives necessary to utilize the most efficient transport mode will be in place. This should result in better decision making across the supply chain leading to the re-allocation of heavy vehicles to operations that minimises the overall supply chain costs, including externality costs.

Such a policy is urgently needed for freight movements into and out of Port Botany, which, despite the proposed changes to the PBLIS, will be unable to utilise its full capacity because the majority of container movements are on road and is inherently less efficient than rail. ARTC is pleased with the rail-related investments by industry at the Port and connecting rail terminals across Sydney. However, without road pricing that captures the full impact of heavy vehicle operations, the imbalance between road and rail freight will persist ensuring the supply chain is unlikely to reach optimal state.

The PBLIS review states that some stakeholders suggested Government financial incentives to support a mode shift program, with programs operating in Victoria and Western Australia noted as examples. ARTC supports the exploration of this option as a measure targeted at encouraging growth in freight volumes being moved by rail into and out of the Port. However, road pricing reform is the best means to resolve this issue across the entire supply chain rather than just for traffics related to individual ports. This has been recognized as a key issue by the Victorian Government with recommendations addressing the need to develop a pricing framework that reflects the costs of externalities as a necessary condition of delivering freight most efficiently through the Port of Melbourne.

**Greater Coordination of the Port Botany Freight Task**

The Port Botany supply chain is disaggregated with different organisations undertaking different functions with a heavy reliance on the availability of data and information and effective relationships between all parties to manage the panning interface. Potential rail freight to and from Port Botany typically needs to move across multiple rail networks with different pricing regimes, rules, procedures and availabilities for freight operations. ARTC sees great value in reducing the number of interfaces were possible to provide a seamless journey. However, this is not always possible.

The PBLIS review proposes the consideration of a more formalised coordination process for developing an optimise train plan for the Port Botany rail task and cites the Hunter Valley Coal Chain Coordinator (HVCCC) was raised by stakeholders as a potential model. ARTC agrees with the identified reasons why applying the HVCCC model would not work for the container movements between metropolitan locations and Port Botany. However, ARTC, as the operator of the rail network that services Port Botany, is supportive of exploring ways to achieve greater coordination across this supply chain to increase efficiency and reduce costs.

ARTC is ready to play an important role in identifying the gaps, constraints, the requirements for such a model, potential models, roles and responsibilities and participants. But it is clear that a resolution of constraints on the Sydney Trains Network, which is a critical part of the supply chain, is pivotal to achieve an optimal outcome given a significant proportion of freight currently originates and ends on that network. In the

longer term, the potential delivery of new infrastructure such as the Western Sydney Freight Line, completion of Maldon to Dombarton, and new intermodal terminals in Western Sydney and potentially other locations across NSW on the ARTC network may reduce the need for freight to move across multiple networks.

**Data Transparency**

Transparency is a key principle by which ARTC operates its network and allows access to its current and potential customers through its Interstate Access Undertaking, which is currently in the process of approval, and the Hunter Valley Access Undertaking. Furthermore, ARTC openly supplies vast amounts of rail data to the National Freight Data Hub on a regular basis, allowing a rich database on rail freight movements to be created and made accessible to the public.

Hence ARTC agrees with the Productivity Commission's view that technology, information and innovation are critical to achieving a supply chain that is efficient, productive and resilient, and supports the recommendations in the PBLIS review to increase transparency on road and rail data.

Greater transparency for the supply chain of the rail window schedule and bookings increases efficiency and it is critical that above-rail operators and cargo owners have access to this information, enabling the provision of better information about rail services and better informing customers on their mode of choice.

ARTC also supports the provision of rail container tracking data to improve visibility for cargo owners regarding the location and status of rail containers across the supply chain.

ARTC accepts that there are some concerns around privacy and confidentiality related to the above, but these are outweighed by the benefits that are derived from an abundance of data including the provision of performance insights, increasing visibility, reducing ambiguity, improving decision-making, and enabling better long-term strategic planning.

**Conclusion**

The efficiency of Port Botany and movements of freight to and from the port are of the utmost importance for the freight supply chain in NSW and the country. ARTC plays a pivotal role in facilitating the movement of freight to and from Port Botany, and its network can deliver more volumes than currently, helping to achieve greater objectives including decarbonisation, congestion and noise reduction, and greater amenity and safety. However, the freight modal landscape is currently uneven with road freight possessing an advantage over rail freight. Until this disadvantage is corrected, it is unlikely that the government's rail modal and rail volume goals will be achieved at the detriment of the supply chain, the environment, local communities and taxpayers.