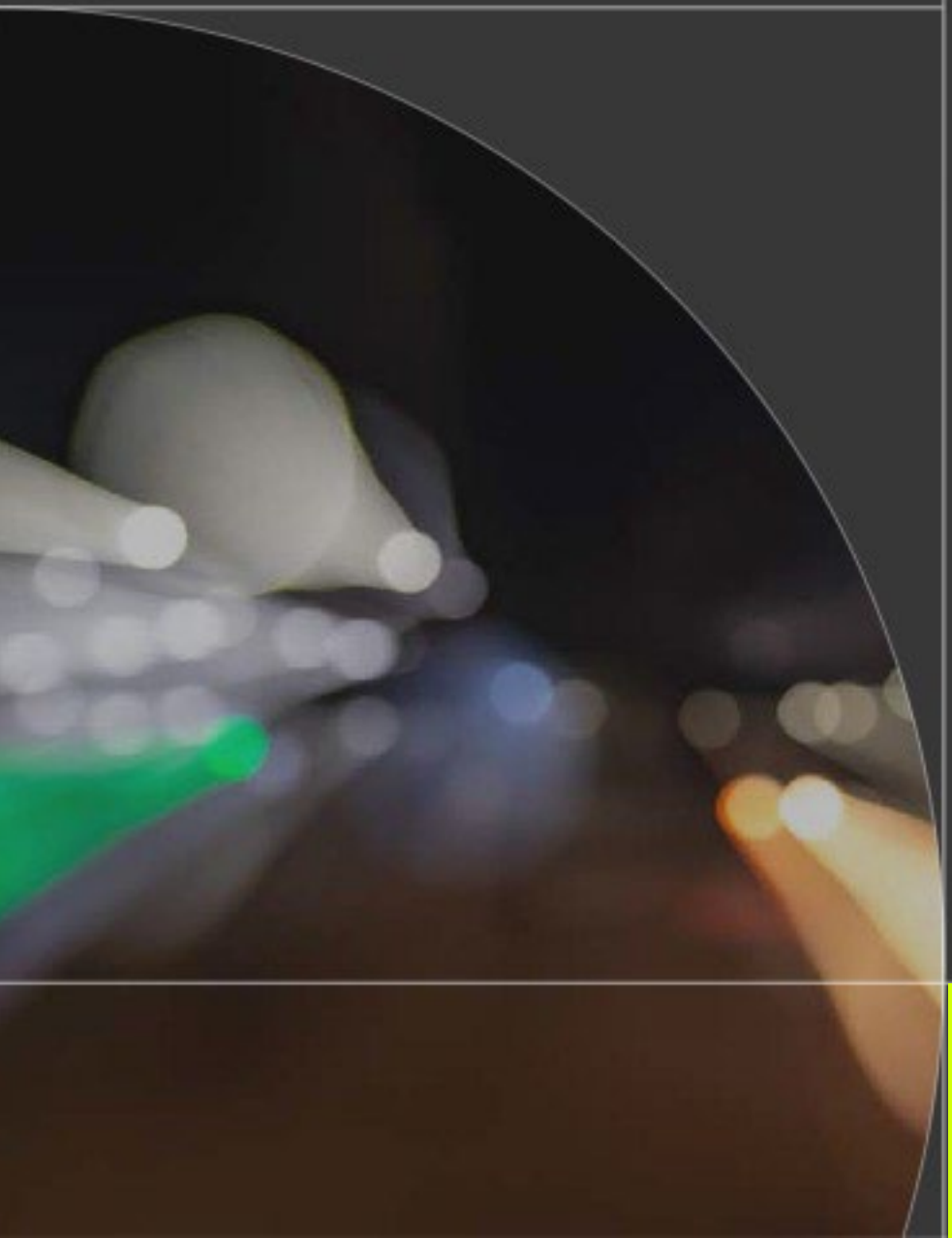
NSW Freight Reform Program

Response to consultation paper

June 2024



BCA

Business Council of Australia

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Overview

The Business Council of Australia (BCA) welcomes the NSW Government's commitment to a revised strategic reform agenda and action plan to support the movement of freight. We represent Australia's largest employers, who operate across the economy, including firms directly involved in the provision of freight services, enabling services and infrastructure, as well as major freight customers. For many of our members, an efficient and productive freight network is essential for the operation of their supply chains and the overall competitiveness of their businesses. For this reason, the BCA has a strong and broad interest in this reform.

The consultation paper provides a good starting point as a basis for discussion. BCA members have raised a number of specific areas for focus that we believe should be reinforced as part of the options developed as part of the reform program. These include:

- Resilience, reliability, and improved travel times for freight.
- Better use of existing major assets including our ports, terminals, and airports.
- Reduction of greenhouse gas emissions per tonne kilometre.
- Nationally consistent approaches to policy wherever possible.

Key recommendations

- Priorities for investment in the rail network should include strengthening reliability and resilience, as well as separation of freight from passenger services and expanding the reach of the system. This should consider how to better utilise and connect with existing major freight assets.
- Establish a single point of contact for rail freight operators in Transport for NSW.
- Regulations that restrict the uptake of electric trucks should be reconsidered and where practical removed. There should be additional weight allowances for zero emissions trucks, to ensure they are not penalised by their heavier power system. Freight curfews should be reformulated to exempt vehicles with lower noise profiles from restrictions, incentivising the uptake of electric (and other zero emission) trucks and freight vehicles.
- The NSW Government should consider how lower carbon fuels and alternative technologies can be used to reduce greenhouse gas emissions from the existing heavy vehicle fleet.
- The Government should identify priorities for future road network projects that support major freight movements, to form part of the pipeline of investments for business case development.
- The NSW Government should fund targeted productivity enhancing projects which support improved last mile freight movements.
- As part of broader work on autonomous passenger transport vehicles, the NSW Government should be considering specific issues for heavy autonomous vehicles.
- The NSW Government should continue to engage with the Federal Government on the rollout of a nationally consistent approach to road user charging.
- The NSW Government should advocate for conditions at Sydney Airport being liberalised to reflect the much-reduced noise profiles of modern aircraft and ensure that freight services are able to continue to operate in a limited manner overnight after the opening of Western Sydney Airport.
- The NSW Government's approach to the major ports should recognise they are now privately operated, that legislation has changed around financial penalties on the Port of Newcastle, and that Newcastle is a major and well-connected asset that needs to develop new markets and be competitive as it gradually transitions away from coal.
- The Government should consider incentivising regional shuttle train services into Port Botany, to improve efficiency at the Port precinct.
- Freight facilities and their adjacent industrial land should be protected, in a balanced way that considers broader evolving land use needs, from incompatible urban encroachment. This ensures major freight facilities can operate without noise or time constraints, maximising their productivity.

Rail freight

Using existing technology, modal shift from road to rail has the ability to make a significant contribution to the nation's emissions reduction targets. Rail freight emits 16 times less carbon pollution than road freight per tonne kilometre travelled[1]. The Climate Change Authority notes that rail transport accounts for around half of Australia's freight transport but is only responsible for four per cent of transport emissions[2]. This underscores the importance of rail freight in achieving the national objective of reducing carbon emissions.

This is not to suggest that rail can displace all road freight, but rather that there are opportunities to further leverage rail to move more freight on key trunk routes.

Reliability

Many BCA members tell us that while they want to move more freight by rail, they are constrained by reliability and service performance. As one BCA member told us "The rail network is increasingly unreliable and is severely capacity limited, resulting in higher transport costs and limitations on the tonnes per week that can be moved, many sales are not met in a timely manner."

With extreme weather events expected to become more frequent, governments must step up and fund major reliability and resilience initiatives for their networks. This will mean working in partnership with the Federal Government across the national and ARTC controlled regional networks, as well as investments which focus on resilience and reliability of the state's own regional lines.

Reach and passenger separation

The BCA supports the expansion of the rail freight network. We acknowledge and support the work that is underway or has recently been completed to enhance the network, such as the duplication of the rail line to Port Botany by the ARTC.

There are obviously several project ideas that have been on the drawing board in NSW for a long period. Without canvassing the merits of individual projects, it will be important that investments continue to be examined for separating passenger and freight services (particularly in Sydney and on the Central Coast), as well as strengthening reliability and capacity of sections of the network. In the regions, programs like 'Fixing Country Rail', which deliver targeted localised improvements, have delivered meaningful improvements without relying on new mega-projects to achieve outcomes.

Prospective investments by government should consider future demand potential, emerging opportunities, and the potential to better use other existing assets in the broader network. For example:

- long term planning for proposals such as the Western Sydney Freight Line should consider how to integrate with the existing terminal infrastructure at Yennora.
- the Lower Hunter Freight Corridor should factor in how to better make use of facilities such as the Port of Newcastle.
- Better connecting and utilising the Commonwealth's investment in Inland Rail, for example strengthening regional connectivity with the Hunter, including Newcastle.

[1] Deloitte Access Economics Value of rail 2020, November 2020, Commissioned by the Australasian Railway Association.
[2] Climate Change Authority, Prospering in a low-emissions world: an updated climate policy toolkit for Australia, March 2020

Recommendation

Priorities for investment in the rail network should include strengthening reliability and resilience, as well as separation of freight from passenger services and expanding the reach of the system. This should consider how to better utilise and connect with existing major freight assets.

Centralised contact point

Responsibility for rail freight within the NSW Government is currently split between Sydney Trains, Transport for NSW, the Transport Asset Holding Entity, and the Country Regional Network manager. The Government should establish a single point of contract in the transport bureaucracy for rail freight operators.

Recommendation

Establish a single point of contact for rail freight operators in Transport for NSW.

Road freight

The extent and nature of the road network means that it is unparalleled in providing point-to-point servicing of freight, something that is simply not possible by any other modes. The Government will need to continue to plan for the upgrade of the road network, and this should include an explicit focus on supporting delivery of freight.

Over the last few decades there have been significant strides in reducing truck emissions, as successive improvements in emission standards have been introduced. Going forward, the industry is focused on further improvement including alternative fuels and electrification of vehicles. The government has a key part to play in terms of regulation, infrastructure, and incentives to facilitate this transformation.

Freight vehicle emissions

The government needs to target red tape hindering the deployment of heavy electric vehicles, and instead reward their use.

The BCA supports the recent moves to increase truck width from 2.5 metres to 2.55 metres, bringing us into line with standards in Europe, UK and New Zealand. A number of electric trucks in development overseas have been designed to these wider standards, and these changes will help facilitate the introduction of these vehicles into Australia.

Trucks fitted with batteries are significantly heavier than equivalent diesel-powered vehicles. An example provided by manufacturer Scania for equivalent 28-tonne trucks, with same cabin and wheel configuration, but one with battery drivetrain and another with Euro VI diesel drivetrain is a difference of approximately 1 tonne additional kerb weight for the battery vehicle.[3]

While electric freight vehicles have a weight disadvantage, their clear area of differentiation is zero tailpipe emissions and reduced noise, compared to the carbon dioxide, nitrogen oxides, and particulate emissions of a diesel truck.

Given there are set limits on the weight of a vehicle based on axle configuration, this additional battery weight can reduce the freight capacity of a vehicle in comparison with its diesel equivalent. A number of foreign jurisdictions (such as the EU) have introduced allowances to accommodate this additional weight.

Conversely though, electric trucks are significantly quieter at lower speeds or when stationary (where wind and road surface noise are lesser factors) when compared to their diesel counterparts.

This presents an opportunity for NSW planning restrictions to be reformulated to recognise and exempt lower noise vehicles, rather than the current blanket restriction approach. With electric vehicles able to operate at a much lower level of noise in comparison to diesel vehicles, this would provide operators an additional non-financial incentive to move truck fleets towards electric and zero emission operations. Further developments in quiet loading dock technologies will also support productivity while minimising the impact on neighbourhoods.

These changes should be coupled with investment in charging infrastructure that is designed with freight vehicle usage in mind, as well as potential financial early adopter incentives to begin to build a broader market for these vehicles. One suggestion is land tax concessions for major freight operators that dedicate a portion of a site for vehicle charging infrastructure.

[3] Life cycle assessment of distribution vehicles, Battery Electric vs diesel driven, Scania, https://www.scania.com/content/dam/group/press-and-media/press-releases/documents/Scania-Life-cycle-assessment-of-distribution-vehicles.pdf

Recommendation

Regulations that restrict the uptake of electric trucks should be reconsidered and where practical removed. There should be additional weight allowances for zero emissions trucks, to ensure they are not penalised by their heavier power system. Freight curfews should be reformulated to exempt vehicles with lower noise profiles from restrictions, incentivising the uptake of electric (and other zero emission) trucks and freight vehicles.

Alternative fuels

There are also nearer term opportunities that should be seized by the government for reducing emissions from the existing road freight fleet. This is particularly pertinent given the potentially lengthy ramp up period for the transition to zero emissions vehicles.

Biofuels and other lower carbon fuel products could have an important role to play during the transition period. There should be specific policy work undertaken to identify how these can be successfully used at scale.

There could also be consideration of what other technologies, retrofits, and adjustments may be able to be deployed in the more immediate term to address the need to lower greenhouse gas emissions from heavy vehicles.

The BCA is also supportive of work to trial the use of hydrogen as a zero emissions fuel for the road freight sector, noting that this is still technologically maturing and represents a longer-term option.

Recommendation

The NSW Government should consider how lower carbon fuels and alternative technologies can be used to reduce greenhouse gas emissions from the existing heavy vehicle fleet.

Major freight routes

While many BCA members are moving to put freight on rail, the road network will still need to continue to provide the lion's share of capacity for non-bulk freight.

The NSW Government has long invested in road projects which support connectivity across the freight network. This includes projects like WestConnex which provides capacity between Port Botany / Sydney Airport and Western Sydney, the Hume Highway upgrade which connects Melbourne and Sydney, or major highway bypasses such as along the Pacific Highway.

Ultimately, these projects remain important for decongesting the road network, and moving trucks off local and suburban streets.

Recommendation

The Government should identify priorities for future road network projects that support major freight movements, to form part of the pipeline of investments for business case development.

Last mile

Irrespective of the success in putting more freight on rail, road will remain the primary method for last mile (and often 'first mile') delivery – the movement of goods from key hubs to warehouses, shops and businesses, or directly to consumers.

There are two separate issues here for consideration:

- Ensuring that the road network is sufficiently designed to facilitate heavy vehicle access to sites. In regional areas and country sites this can mean ensuring infrastructure, such as bridges, are sufficient to allow access for trucks to move goods and product in and out of a site. In the cities this can manifest as an issue of productivity and congestion, where higher access limits can facilitate higher productivity vehicles being used to reduce overall truck movements.
- Local deliveries to customers including provisions for and safety of 'micro mobility' approaches, such as bicycle couriers (including e-bikes). This includes curb side facilities and parking to support deliveries in residential areas, as well as recognising that cycling infrastructure is part of the last mile for business to consumer freight. Essentially, aspects of the built environment must be designed to facilitate safe and easy pick-up and drop-off from kerbsides and in buildings for people making deliveries. Facilitating a shift to micro mobility for appropriate last mile deliveries can reduce the prevalence of delivery trucks and cars, removing vehicle trips from the road in urban areas.

The Government should continue to invest in local network improvements. Programs that target network pinch points offer the opportunity to make improvements to particular nodes in the network that are critical for freight movements.

There should be priority placed on getting projects already funded moving into delivery. These should be allowed to proceed rather than held up by bureaucracy. For example, upgrades to the road network funded by the Commonwealth around the Moorebank Intermodal Precinct should be facilitated with urgency.

Recommendation

The NSW Government should fund targeted productivity enhancing projects which support improved last mile freight movements.

Emerging technologies

As with light vehicles, autonomous heavy vehicles are in development for future deployment on public roads. Australia has been a significant adopter of autonomous haulage trucks in the mining industry. As the technology slowly matures for on-road autonomous vehicles, particularly in the point-to-point passenger space, similar systems are making their way onto heavier vehicles. Transurban conducted Australia's first on-road trial of these vehicles, which identified both regulatory and road infrastructure issues that need to be addressed. This should be worked on in conjunction with the Federal Government and other states so there is a nationally consistent policy approach.

In parallel to this, 'vehicle-to-everything' technology (V2X, referring to communication between vehicles and other vehicles, pedestrians, infrastructure, and networks) is advancing. Future proofing of infrastructure may be necessary to ensure that there are appropriate communication and power supply backbones to support long term requirements. This type of infrastructure will go hand in hand with autonomous vehicles in the future.

Recommendation

As part of broader work on autonomous passenger transport vehicles, the NSW Government should be considering specific issues for heavy autonomous vehicles.

Road user charging

The shift from the current diesel-based road user charge plus vehicle registration to a national distance-based charge has been a long-term reform initiative of the Federal government.

The BCA's long-standing view is that any transition to this type of road user charge should be nationally consistent. In that context we support this work being done at a Federal level, rather than being advanced by individual states such as NSW. A road user charge must be designed to be easy to administer for fleet owners and businesses. It should be designed to incentivise efficient road use, but not be designed in such a way that it increases costs for freight movements (that is, it must be paired with changes to existing charges such as for registration and on fuel, so that it is not imposing additional, new costs on business).

Recommendation

The NSW Government should continue to engage with the Federal Government on the rollout of a nationally consistent approach to road user charging.

Air freight

Air freight transports high priority and high value goods, ranging from retail items (in particular supporting the eCommerce industry) to high-value fresh produce, pharmaceuticals, and specialist parts. Whilst tonnage rates are relatively small, the high value of items means that air freight represents 21 per cent of value of Australia's international trade[4]. Around 80 per cent of air freight travels in the holds of passenger aircraft[5], meaning aviation freight and passenger travel is uniquely intertwined when compared with other modes, which often share the same infrastructure (roads and rail lines) but not the same vehicles.

Airport restrictions

Sydney Airport has a curfew in place which restrict overnight operations but provides a limited ability for freight services to continue operating. These restrictions are set by Federal laws and regulations, but we believe there is a role for the NSW Government to advocate for improved efficiencies to support freight movement.

The ability for some freight services to operate overnight is particularly important, because during the day airport congestion and the priority of passenger aircraft in the terminals can limit the ability for dedicated freight aircraft to operate. These restrictions and conditions need to be reviewed with an eye to ensuring productivity improvements for the freight industry, and to consider advances in modern aircraft noise profiles.

The ability for limited freight services to operate overnight is legislated to expire once Western Sydney Airport becomes operational. This should be revisited. Freight operators have invested in infrastructure to support their operations at the current Sydney Airport and should be allowed to make a decision driven by efficiency and commercial value as to how they operate in the future. This change would also increase potential road movements to facilitate transhipments (from Western Sydney Airport to Sydney Airport) that are moving from domestic air freight movements onto passenger services.

Recommendation

The NSW Government should advocate for conditions at Sydney Airport being liberalised to reflect the much-reduced noise profiles of modern aircraft and ensure that freight services are able to continue to operate in a limited manner overnight after the opening of Western Sydney Airport.

Emerging technologies

Advancements in aircraft over many decades have seen reductions in noise and emissions footprints, even in otherwise seemingly similar aircraft. For example, the latest Boeing 737 MAX reduces emissions by around 20 per cent, and operational noise footprint by around 50 per cent when compared with the previous generation of 737 aircraft[6].

Sustainable Aviation Fuels can reduce carbon emissions by up to 80 per cent[7]. These fuels are under development by the major fuel companies operating in Australia, are supported by major aviation manufacturers,

[4] National Freight Data Hub, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 2022
[5] The role of aviation in Australia's economic recovery, EY, 2020
[6] Boeing
[7] IATA

and are being introduced into operational fleets. Qantas for example has targeted 10 per cent of its fuel use to come from Sustainable Aviation Fuels by 2030 and approximately 60 per cent by 2050[8].

At the other end of the spectrum, Australia has emerged as a test bed for drone delivery operations. Delivery operations by Alphabet's subsidiary Wing have been performing business-to-customer deliveries in other states.

Maritime freight

Major ports planning

In the context of recent legislative changes that lift per-container financial penalties on the Port of Newcastle, the NSW Government should reconsider its policy settings around the major ports. The Port of Newcastle will need to transition beyond coal over the medium to long term given the world is moving towards reducing carbon emissions impacts coal exports. The Port has significant land, deep water berths, and extensive transport and rail connections. These are major assets that should be utilised to their maximum extent.

Given the three major ports are now held by private sector lessors, the Government should reconsider how it approaches its policy position on the use of the Ports, particularly in respect to the future overflow port for containers. They are no longer government managed assets that need to be directly controlled by government. They should be allowed to compete and service market needs as practical given the boundaries of their broader landside connectivity and available infrastructure.

Recommendation

The NSW Government's approach to the major ports should recognise they are now privately operated, that legislation has changed around financial penalties on the Port of Newcastle, and that Newcastle is a major and well-connected asset that needs to develop new markets and be competitive as it gradually transitions away from coal.

Port Botany regional rail freight

There are opportunities to improve efficiencies at Port Botany by incentivising the use of regional freight rail shuttles. These services would see regional trains with containerised cargo destined for export via Port Botany terminating at intermodal terminals in Sydney and transferring cargo onto stevedore-dedicated shuttle trains. The benefit of these services is the minimisation of shunting and splitting of those regional trains at the Port itself.

Incentives that support this type of efficiency improvement should be considered as part of the broader approach to driving rail mode share at Port Botany. A temporary transition scheme to drive uptake of these services could form part of the freight reform policy.

Recommendation

The Government should consider incentivising regional shuttle train services into Port Botany, to improve efficiency at the Port precinct.

[8] Qantas

Urban encroachment

It is important that industrial lands around major freight facilities (such as ports) are preserved from encroachment. Major freight facilities and adjacent industrial facilities should be able to operate 24/7 to allow for operational flexibility. This is only possible if there is appropriate separation from residential or commercial development, which are not compatible with highly industrial uses.

Urban encroachment reduces land available to service the freight task. It introduces conflict between industrial and other land uses, with the potential for operational constraints and costs being imposed on the freight industry and supporting industrial facilities. This in turn results in increased cost and decreased flexibility and productivity for the freight industry.

Furthermore, it is important to note that storage and logistics activities require supporting infrastructure. This includes general warehousing, cold storage facilities, empty container parks, truck marshalling areas and the like.

Extended distance (where industrial land has been displaced) can create operational inefficiencies, adding extra trucks to road networks and creating further congestion and bottle necks. This then results in further emissions, additional congestion, and triggers the need to bring forward other transport infrastructure investment.

The market has mechanisms to ensure that industrial activities that benefit from a proximity to key freight facilities have access; while those that do not require this proximity locate elsewhere. In particular, there is typically a price premium on industrial land adjacent to ports. Nevertheless, appropriate zoning and buffers are necessary to ensure the investment in strategically located logistics facilities are protected.

Having said that, there is also a need to ensure that zoning and land use controls are appropriately flexible to meet evolving customer and industry need. For example, emerging delivery needs where it may be reasonable to co-locate customer fulfilment centres with retail sites, in close proximity to customers. The Government must also balance this need with the requirement for well-located housing close to jobs.

Recommendation

Freight facilities and their adjacent industrial land should be protected, in a balanced way that considers broader evolving land use needs, from incompatible urban encroachment. This ensures major freight facilities can operate without noise or time constraints, maximising their productivity.

BUSINESS COUNCIL OF AUSTRALIA

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