LOGOS

NSW FREIGHT POLICY REFORM PROGRAM

LOGOS Submission

31 May 2024

About LOGOS:

LOGOS is a leading specialist in developing property solutions for clients in the logistics sector across the APAC region, offering innovative solar, intermodal, and infrastructure solutions. We manage every aspect of logistics real estate, including investment management, land or facility sourcing, and development and asset management, on behalf of some of the world's foremost global real estate investors, logistics operators, and e-commerce companies.

Our portfolio comprises over 11 million square meters of property owned and under development, with a total value exceeding US$22.9 billion, across 35 ventures and growing.

Moorebank Intermodal Precinct:

Moorebank Intermodal Precinct (MIP) is Australia's largest intermodal logistics precinct. Located 32km from the Sydney CBD and covering over 240 hectares of land in South-west Sydney, Moorebank Intermodal Precinct links directly to Port Botany and includes:

- An IMEX (Import Export) Rail Terminal (opened in 2019) with expected capacity of 1.05 million TEU per year.
- An Interstate Rail Terminal with expected capacity of 500,000 TEU per year
- Over 850,000 sqm of warehousing; and
- Inter-connecting road links (M5 and M7) and rail links and a dedicated rail freight link to Port Botany via the South Sydney Freight Line.

At full capacity, the Moorebank Intermodal Precinct will take 3,000 heavy truck movements off Sydney's roads each day and significantly reduce congestion. The precinct will also help to enable lower freight costs, reduce carbon emissions, and deliver a range of community and environmental benefits.

LOGOS is developing Moorebank Intermodal Precinct in partnership with Qube and National Intermodal.

LOGOS

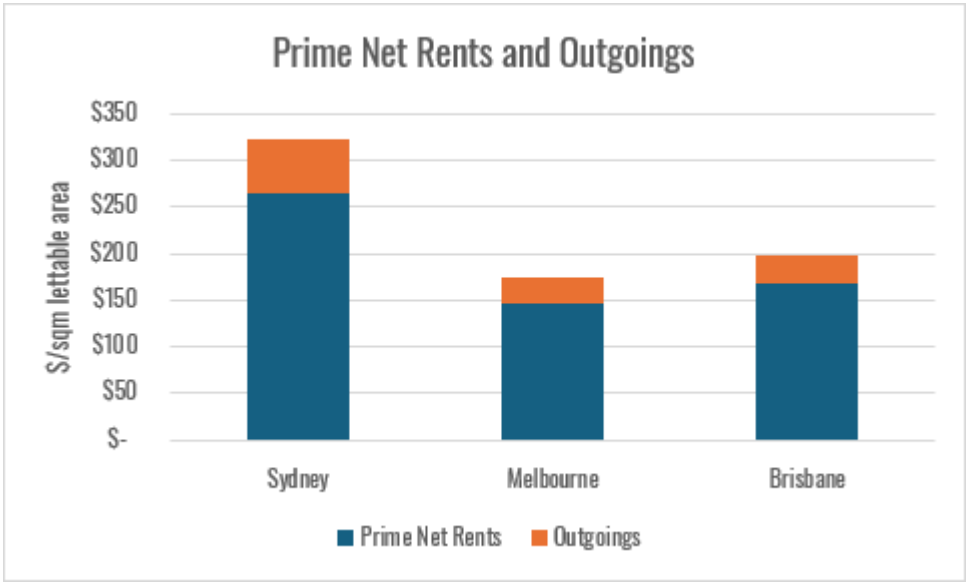
NSW Freight Policy Reform Program Recommendations

Recommendation: Create a coordinated, strategic policy approach to integrate land use and infrastructure planning.

The freight and logistics supply chain requires large parcels of land for warehouses, depots, intermodal precincts, and logistics services, located close to end users to minimise transport distances.

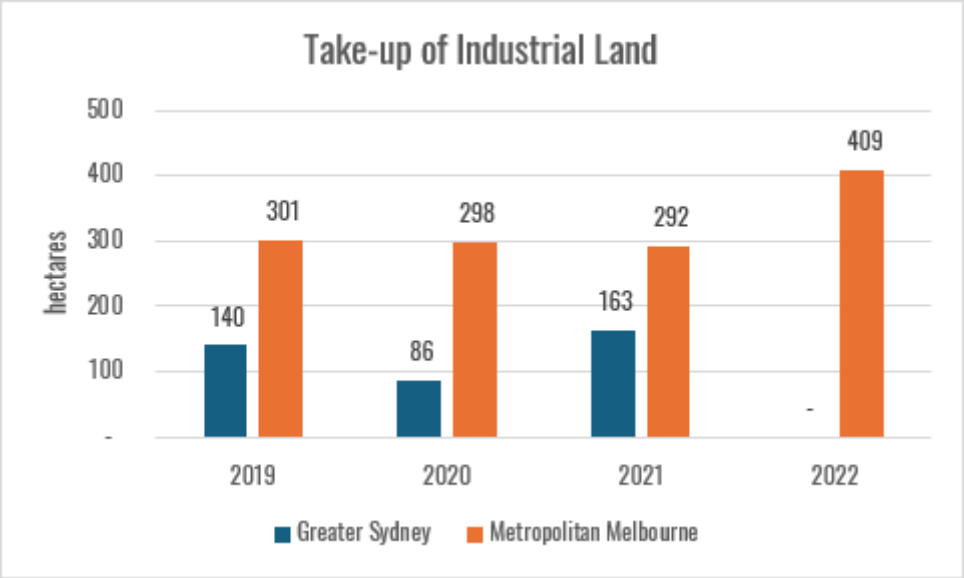
Greater Sydney has a scarcity of available industrial lands, caused by a lack of new supply of appropriately zoned and serviced industrial land, as well as historical rezonings. Sydney's industrial vacancy rate reached 0.2 per cent in 2023. The scarcity of industrial land in Greater Sydney is causing significant challenges for businesses and industry, including:

- Higher rents for Sydney businesses compared to other capital cities, including Brisbane and Melbourne, which have more affordable sites closer to their Central Business Districts and population centres. Sydney's rents are 85% higher than Melbourne's and 65% higher than Brisbane's. Sydney's land values are more than double Melbourne's and more than treble Brisbane's.



Atlas Economics, 2024

- Few suitable sites available for businesses to locate their warehouses and distribution centres. Sydney has about one year of serviced industrial land supply, Melbourne has 11.5 years and SEQ has 13.5 years. Take-up of land in Sydney has trailed Melbourne for more than a decade – demonstrating the severe shortage of land that can be developed in Sydney. See chart below for the last 4 years take-up.



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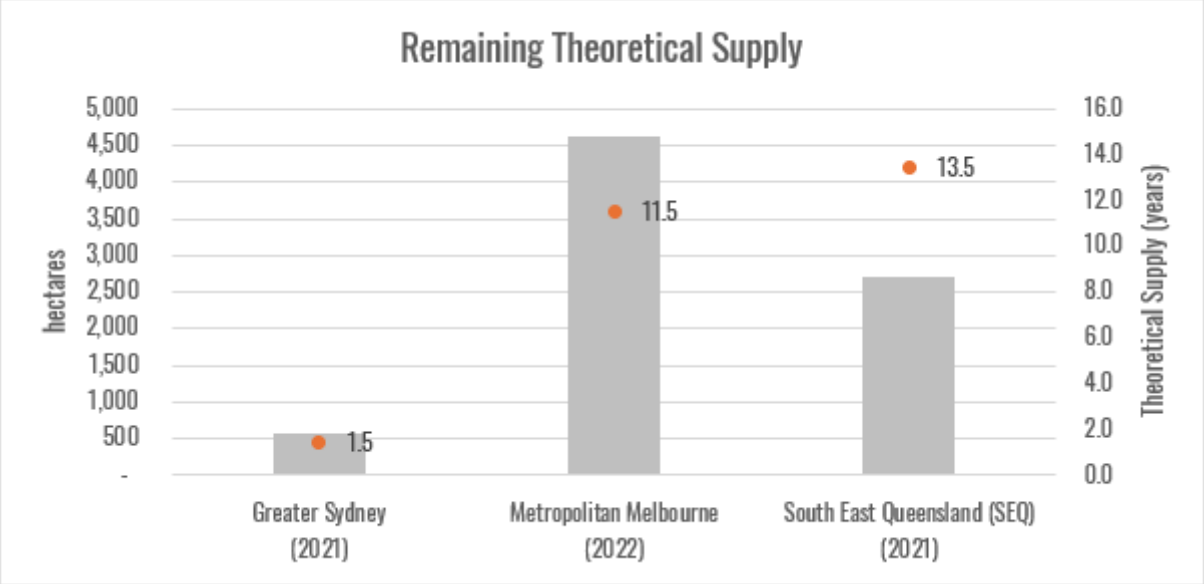

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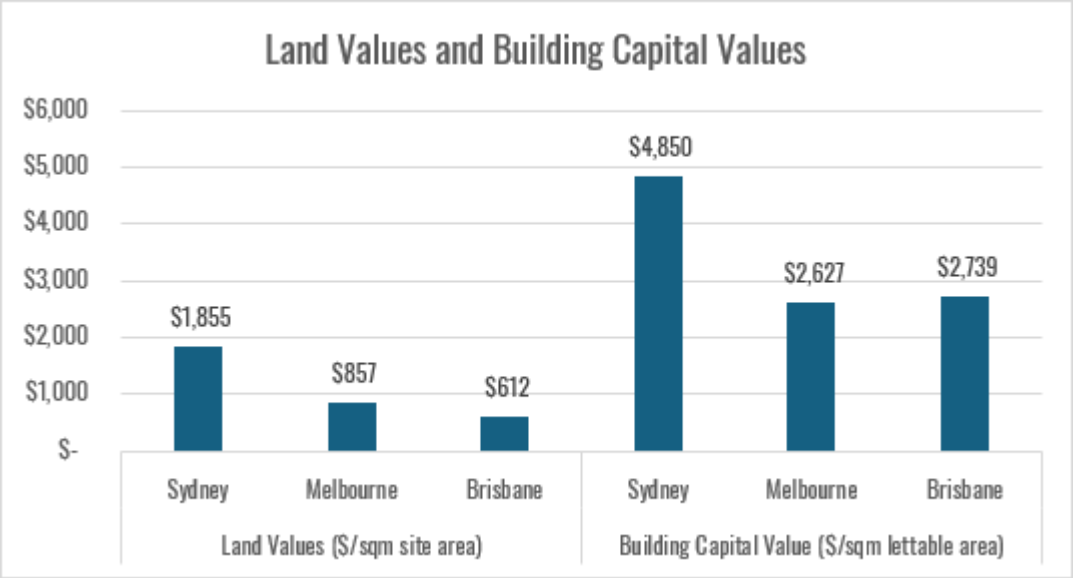
- Available sites moving further and further west, away from the most populated parts of Sydney, which increases transport costs, delivery times and emissions. Even worse, Businesses are now relocating away from Sydney (no availability, and even if available the space is not affordable) and are instead growing capacity in regional NSW and Victoria. This means a lot more trucking, carbon emissions, higher transport costs.



Atlas Economics, 2024

- Planning policies must recognise the need to unlock new – and protect existing industrial lands to ensure Greater Sydney remains sustainable for future generations. This requires a coordinated approach of integrating land use and infrastructure planning.

- Without adequate strategic planning policy, industry and businesses risk having their operations constrained due to urban encroachment through caps and curfews. In NSW we require a strategic land supply policy. In VIC and QLD, they each have a strategic land supply policy of ensuring 15 years forward land supply – land that is zoned and serviced (or capable of being serviced). This strategic land supply policy is embedded in their planning legislation and a similar approach needs to be looked at for NSW.

- In the absence of minimum design standards for residential developments or adequate buffer zones between residential and industrial precincts, these restrictions will continue to be used to address community amenity concerns, impacting productivity through the supply chain.

- In addition – to maximise the benefits of intermodal terminals and encourage the greatest modal shift to rail, it is crucial to co-locate warehousing and distribution directly onsite. This colocation simplifies the supply chain, reduces unnecessary movements, and enhances resilience.

- In the immediate term, securing appropriate land at current prices (or reserving it with proper zoning if government-owned) is essential to maintain financial viability. The State Government and relevant agencies must also review and streamline planning approval processes for significant infrastructure projects, ensuring alignment and buy-in from senior management at the project level.

Recommendation: Set a higher rail modal share target and implement steps to achieve it.

Rail's modal share for containerized IMEX throughput at Port Botany is currently around 15%, down from a peak of nearly 23% in 2017. This is well below the 2021 target of 28% (930,000 TEUs) set in the NSW Government Freight and Ports Plan 2018-2023, and far from the NSW Ports Masterplan 2063 target of 40% (three million TEUs) by 2045.

Despite significant investments, including the duplication of the Port Botany rail line, enhancements in dock rail capacity by NSW Ports, and investments by National Intermodal, Qube, and LOGOS in the Moorebank IMT, rail uptake remains constrained. The port rail connection is significantly underutilised due to several persistent challenges.

IMEX freight must navigate a complex landscape involving multiple stakeholders, including government entities, network operators, rail operators, cargo owners, and stevedores. Regional NSW trains, often longer than the 600-metre limit, carry mixed loads for multiple stevedores and face inefficient slot allocation. Additionally, trains entering and leaving the port are often underutilised, as each rail operator only transports their own containers. These coordination issues, long recognised and highlighted in multiple reviews, need to be addressed.

To see any meaningful change, actionable and impactful steps must be developed and implemented as part of this review, including targeted infrastructure support, pricing incentives, and coordination among supply chain participants, especially for IMEX freight.

Recommendation: Adopt the proposed “Port Botany Regional Rail Incentive Scheme.”

To boost port rail services and achieve two-way loading, our Moorebank Intermodal Precinct partners Qube, along with NSW Ports, Pacific National, Linx, and Namoi Cotton, have proposed the "Port Botany Regional Rail Incentive Scheme" to the NSW Government.

Scheme Overview:
For a 5-year transition period, regional trains needing splitting and shunting at stevedores will be incentivised with a $150 per TEU payment to the cargo owner. This encourages terminating services at metropolitan IMTs for onward cargo transfer to port via a 600-meter shuttle, which can return fully loaded with imports without additional shunting. Participating IMTs must offer open access and meet government-overseen service level KPIs to ensure full-service choice for rail operators.

Benefits:

- Increased rail window capacity at the port and facilitation of two-way loading, improving supply chain productivity and resulting in cost savings for metropolitan importers and regional exporters.
- Commissioned independent Cost Benefit Analysis (CBA) by Deloitte Access Economics shows positive results:
    - 21% increase in rail volumes (102,000 TEU annually) and reduction of 39,000 trucks from roads annually.

- $35 decline in cost per TEU for metropolitan rail and $70 per TEU for regional rail.
- Regional trains could cycle up to five times per week, increasing productivity by avoiding port travel.
- Theoretical rail capacity at the port could increase by 20%, raising the rail gate capacity by 209,000 TEU per annum.
- Potential for the rail share of the port to reach 47% of current throughput, equivalent to 1.6 million TEU per annum.
- Reduction of 200,000 tonnes of carbon dioxide emissions over the modelled period.

High Adoption Scenario:

- If 100% adoption occurs:
  - 140,000 additional TEU on rail per annum and removal of 50,000 trucks from roads annually.
  - 21% and 22% reduction in costs per TEU for metropolitan and regional rail, respectively.
  - Avoidance of 560,000 tonnes of carbon dioxide emissions over the modelled period.

Economic Impact:

- Positive Benefits Cost Ratio (BCR), even with the incentive cost to the government for the 5-year transition.
- Long-term viability without incentives due to established savings.
- At 100% adoption, the BCR for the government, including incentive payments, is 6.97.

Background:

- The concept of two-way loading of dedicated 600-meter shuttles has been supported by previous reports and the 2023-2063 Master Plan by NSW Ports.
- Industry has proposed a strategic business case to Transport for NSW, including co-funding contributions, pending this Policy Reform Program.
- In summary, the "Port Botany Regional Rail Incentive Scheme" aims to enhance rail service efficiency, reduce costs, and improve environmental outcomes, with strong support from the industry and positive economic projections.

Recommendation: Work with industry to advance decarbonisation of freight through priority approval and support for novel technologies.

There is an immediate opportunity to reduce freight transport emissions by increasing rail's modal share in NSW, especially for IMEX freight. This is a crucial step towards achieving net-zero emission targets, and the ultimate solution for the IMEX freight supply chain is on the horizon.
Battery Electric Locomotives (BELs) present a viable alternative for port shuttles. BELs offer low emissions, low noise and lower operating and maintenance costs despite ample haulage capacity and impressive performance.

The shorter distances and lower intensity use on these routes provide an ideal opportunity to demonstrate the capability of this emerging technology. When paired with on-site

rooftop solar power at Moorebank, BELs can offer zero emissions renewable energy. However, the significant capital expenditure required to retrofit old diesel locomotives or purchase new BELs is a considerable challenge, particularly given the existing fleet of diesel locomotives that can continue servicing these routes without additional upfront investment.

Moorebank Intermodal Precinct will collaborate with the government, industry, and precinct partners to explore the potential for BEL technology on port shuttle services. This initiative supports the transition towards short-haul BELs.

While awaiting the full implementation of BEL technology powered by Moorebank's solar array, substantial emission reductions can still be achieved. Transitioning freight from diesel trucks to diesel trains can reduce emissions by up to 16 times.

In addition, new electric vehicle technology offers substantial benefits for operators of freight vehicles, including light commercial vans and heavy trucks.

Supporting operators to transition to an electric road freight fleet provides several key advantages:

- Environmental Impact: Battery electric vehicles (BEVs) significantly reduce emissions, except in cases where electricity production is carbon intensive. Projections indicate that, globally, electric trucks will start significantly impacting road freight emissions from 2035 and will contribute to one-third of emission reductions by 2050.
- Public and Driver Health: BEVs enhance public and driver health by eliminating tailpipe emissions and reducing noise pollution, thereby creating a cleaner and quieter environment.

Full-scale field trials of autonomous heavy vehicles in controlled environments on select NSW roads, in line with trials being conducted by Volvo in Sweden, would also promote the use of BEVs by logistics operators.

Conclusion

The Government has a specific responsibility for strategic industrial land planning policy and promoting rail mode shift to deliver sustainability outcomes and strengthen Australia's supply chain.

To achieve these goals, a coordinated approach to integrating land use and infrastructure planning is crucial. Key actions include setting a higher rail modal share target and implementing measures to reach it, adopting the proposed "Port Botany Regional Rail Incentive Scheme," and collaborating with the industry to advance the decarbonisation of freight through priority approval and support for innovative technologies.

These initiatives will ensure a more resilient, efficient, and environmentally sustainable freight transport system, providing significant economic and ecological benefits for Australia.