

**NSW Freight Policy Reform Program
National Intermodal Submission – May 2024**

About National Intermodal

National Intermodal's role is to develop and operate a state-of-the-art network of intermodal precincts in support of the Inland Rail project, which will be critical to meeting the growing freight demand across Australia. In delivering these precincts we will bring to life our vision of improving quality of life through supply chain excellence.

Our strategic priorities are:

- Improving Supply Chain Resilience – reinvesting in Australia's supply chain to ensure Australians have access to a secure supply of goods and services.
- Increasing Logistics Efficiency – investing in modern supply chain infrastructure to reduce costs, driving innovation and providing benefits to consumers.
- Improving Sustainability – delivering improved economic, social, and environmental outcomes across our business and communities.

We understand the criticality of engagement across the range of stakeholders involved in the movement of freight. We are currently collaborating with the national rail network manager ARTC and with State Governments and Councils in NSW, Queensland and Victoria to implement the recommendations of the Independent Review of Inland Rail. We are shortly to commence a formal engagement process with industry on the development of the Beveridge Intermodal Precinct in Victoria. We appreciate the challenges in bringing together a strategy with so many different stakeholder groups with different mandates and objectives.

The Importance of Freight and Supply Chains

The freight industry is one of the largest industries in Australia, directly contributing over 8.6% of GDP and ensuring the smooth-running of the supply chains that ensure Australians have access to the products and services they require. Nearly 150 tonnes of product is moved per person within Australia each year, and total domestic freight volumes are forecast to grow 26% between 2020 and 2050. The rail freight industry itself contributes over \$5 billion to the Australian economy.

It is important to recognise that moving more freight by rail delivers significantly better outcomes for the community than completely by road and should be a national priority. Rail freight produces 16 times less carbon pollution per tonne kilometre than road freight, accident costs associated with road freight are 20 times higher than rail, and rail freight generates 92 per cent less PM10 emissions than road freight. For every one per cent of the national freight task that moves to rail, society gains \$72 million a year in benefits.¹

¹ ARA Value of Rail Report, 2020

National Intermodal comments and response to review questions

We welcome the opportunity to comment on five key areas for consideration as part of the NSW Freight Policy Reform Program:

1. Addressing rail market share on import-export (IMEX) flows
2. Maximising the benefits of intermodal terminals (IMTs)
3. Decarbonising freight
4. Empty container management
5. Strategic importance of Parkes

Addressing rail market share on IMEX flows

Rail modal share for containerised IMEX throughput at Port Botany is currently around 15%, having peaked just shy of 23% in 2017. Current market share is slightly over half the 2021 target of 28% (or 930,000 TEUs) as outlined in the NSW Government Freight and Ports Plan 2018-2023, and well shy of the NSW Ports Masterplan 2063 target to reach a rail modal share of c. 40% (or three million TEUs) by 2045.

It is great to see that there has been major investment, including duplication of the Port Botany rail line, NSW Ports' investment in dock rail capacity, National Intermodal's investment alongside Qube and LOGOS in the Moorebank IMT with collocated warehousing and other IMT investment at Enfield and St Mary's. However, the significant underutilisation of the port rail connection indicates that there are major constraining factors that are preventing further rail uptake. There is a need to better understand and address these constraining factors.

IMEX freight must navigate multiple stakeholders across government, network operators, rail operators, cargo owners and stevedores. Trains arriving from regional NSW are generally longer than the 600-metre limit, have mixed loads destined for multiple stevedores, and are limited by inefficient slot allocation. Furthermore, trains entering and leaving the port are often underutilised as each rail operator only carries their own containers. These coordination challenges have been present and well known for a long time, having been highlighted in multiple reviews (including in the current Consultation Report) and discussed by industry. Actionable and impactful steps must be developed and implemented as part of this review to see any change. National Intermodal is supportive of the industry proposed Port Botany Regional Rail Customer Incentive Scheme.

Recommendation 1

Set a revised, higher rail modal share target and implement steps to ensure the target is met.

Maximising the benefits of IMTs

National Intermodal has invested significantly in the Moorebank Intermodal Precinct alongside private investors, with colocation of 850,000 square metres of state-of-the-art warehousing facilities alongside the interstate and import-export terminals. This collocated warehousing space is a significant factor in unlocking the true potential of Moorebank, enabling freight to enter the open-access precinct via rail directly from Port Botany and be unloaded and stored on site without incurring the additional trucking cost for pick-up and delivery. However, any freight needing to be transferred at Moorebank from rail to truck and moved to an offsite warehouse or distribution centre suffers additional costs and complexity. Therefore, this freight is far more likely to continue moving by truck directly from Port Botany relative to freight warehoused at Moorebank. The same dynamic is likely true for any future open-access intermodal terminals with collocated warehousing.

While allowing larger and heavier trucks may generate logistic chain cost advantages, they exacerbate congestion, road maintenance costs, noise and air pollution and safety concerns.

The costs and benefits of these decisions should be appropriately considered, particularly as they continue to constrain rail market share which has continually underperformed against stated targets. Facilitating the relocation of more warehousing and distribution centres around the Moorebank precinct will unlock further benefits and help shift more IMEX freight onto rail. We acknowledge the important role of trucks in an efficient and resilient national supply chain, however there is an opportunity for improvement by getting the right mode moving the right loads.

National Intermodal, alongside Qube and LOGOS, has invested significantly to ensure Moorebank is efficient and has the capacity to handle NSW's ever increasing freight task driven by population growth. Cutting-edge automation is being utilised within the terminal itself and within the collocated warehouses, such as the Woolworths Moorebank National Distribution Centre. Maximising the value of this investment for the benefit of NSW consumers will be achieved through targeted supporting infrastructure investment, appropriate consideration for how pricing and incentives can facilitate modal shift, and effective coordination between supply chain participants, particularly for IMEX freight in the immediate term.

National Intermodal is also supportive of a new open access intermodal terminal to service Western Sydney, where the concentration of population growth is expected. We see this as additive to Moorebank. It is important to achieve colocation of warehousing and distribution directly onsite at the intermodal terminal to maximise the benefits of the terminal itself and encourage the greatest modal shift to rail. Colocation of warehousing within the intermodal terminal also removes unnecessary additional movements, simplifying the supply chain and improving resilience.

In the immediate term, appropriate land must be secured at current prices (or reserved with appropriate zoning if already government owned) to keep options open and maintain financial viability. The State Government and agencies also need to review processes and procedures for planning approvals to support significant infrastructure projects, with alignment and buy in from senior management at a project level.

Further support for future open access intermodal terminals is needed to complement Moorebank and help develop an efficient and resilient national supply chain underpinned by a network of terminals. Open access principles are essential to encourage new entrants in the rail industry, thus increasing competition, accelerating innovation and adoption of new technology, driving better service quality, building resilience through capacity and diversification, and ultimately driving down freight costs which materialises in lower costs for consumers.

Recommendation 2

Develop clear strategies for supporting a network of open access intermodal precincts from planning through to operations, including prioritisation of strategic land preservation to plan for and enable future critical infrastructure.

Decarbonising freight

There is an immediate opportunity to reduce freight transport emissions through increasing rail's modal share of the freight task in NSW. This is particularly true for IMEX freight as outlined above. While this is part of a transition towards net zero emission targets, the true solution for the IMEX freight supply chain is not far off.

Battery Electric Locomotives (BELs) are a viable alternative for port shuttles in theory. The shorter distances and lower intensity use on these routes is an ideal opportunity to demonstrate the capability of this emerging technology, especially when paired with the use of on-site roof-top solar at Moorebank to provide zero emissions renewable power. However, the capital expenditure required to retrofit an old diesel locomotive or purchase a new BEL is a major hurdle to overcome, particularly given the existing fleet of diesel locomotives used for port shuttles can continue servicing these routes without additional upfront investment.

There is an immediate opportunity to support the transition towards short-haul BELs. National Intermodal will work with Government, industry and precinct partners to explore the potential for BEL technology on port shuttle services.

While we wait for BEL technology charged with Moorebank solar array powered electricity to deliver an entirely green transport solution, we can deliver up to 16 times lower emissions by moving freight onto diesel trains from existing diesel trucks.

Recommendation 3

Work with industry to advance decarbonisation of freight through priority approval and support for novel technologies, and addressing market dynamics resulting in low rail market share.

Empty container management

NSW is a net importer of freight, and the growing demand for freight from projected population growth will likely increase this deficit of full export containers. Thus, empty container exports will remain a material part of the supply chain. Addressing the inefficiencies of empty container movements will reduce truck movements and, in theory, reduce overall transport costs. Empty containers currently destined for road only serviced empty container parks (ECPs) can benefit from reduced handling by encouraging de-hiring within intermodal precincts, especially if the freight is destined for on-precinct storage.

Moorebank presents an opportunity for containers to be de-hired at the precinct then transported by rail directly to the port for export. The customer saves on the cost of trucking empty containers to the ECP, while the shipping line incurs the higher relative cost of moving containers by rail from Moorebank compared to a short distance from ECP to port. Importantly, if the saving to the customer exceeds the marginal increase in cost to the shipping line, there is a purely financial incentive here, on top of the emission, safety, congestion and road maintenance benefits from reduced metropolitan truck movements.

Recommendation 4

Work with industry to encourage better coordination within the empty container supply chain.

Strategic importance of Parkes

Parkes holds a pivotal point in Australia's logistics chain as the connection point between the north – south route of Inland Rail and the east-west Sydney to Perth rail link as well as a key connection point to the Newell Highway. With the Australian Government's prioritisation of the Beveridge to Parkes component of Inland Rail as the first step, Parkes is a key component of the early success of Inland Rail. Parkes is also identified by the NSW Government as a National Logistics Hub and the NSW Government has designated a Special Activation Precinct tailored to deliver economic development around freight, logistics, advanced manufacturing, resources and recycling. The NSW Government has designated land adjacent to the rail line that is strategically important and intended to preserve opportunities for rail and transport infrastructure crucial to maintaining the Parkes Special Activation Precinct's competitive advantage.

Parkes is a strategically important location for an independently managed open access intermodal terminal, delivering significant productivity benefits by improving the capacity of interstate trains between the eastern seaboard and Perth and Dawin in particular. Parkes serves as a location to consolidate volume from lower capacity Sydney and (initially) Brisbane services onto high-capacity double stacked 1,800 metre trains.

An open access terminal at Parkes opens opportunities for a wider range of non-bulk line haul providers than would be the case for a proprietary terminal, encouraging competition which results in improved pricing and service delivery for consumers. This also allows prospective

critical minerals producers and agri-producers to take advantage of more competitive line haulage opportunities and wider markets through transshipment.

The Australian Government has allocated \$5 million towards a final business case for an independently managed intermodal terminal at Parkes.

Recommendation 5

Support the exploration of an independently managed open access intermodal terminal at Parkes to act as a central consolidation point for regional and national supply chains.