

22 October 2024

Freight Policy Reform Program
Transport for NSW
PO Box K659
Haymarket NSW 1240

Submission online via: [Freight Policy Reform Program | Have Your Say \(nsw.gov.au\)](https://www.nsw.gov.au/freight-policy-reform-program)

Dear Freight Policy Reform Team,

Re: Freight Policy Reform: Interim Directions Paper

Pacific National welcomes the opportunity to further engage on the Freight Policy Reform Program, subsequent to our submission of 29 May 2024.

Pacific National appreciates the work the Independent Panel has undertaken to progress freight reform in NSW and is generally supportive of the approach taken in the Freight Policy Reform: Interim Directions Paper. We agree with the findings that:

- There is a lack of transparency and inconsistency between pricing and charges across the different freight transport chains, especially between road and rail. At present the road and rail pricing regimes are different and, in terms of user cost, greatly favour road use.
- Rail access, largely managed through agreements under the NSW Rail Access Undertaking, is not fit for purpose and does not encourage investment nor improve productivity.
- Having three separate rail networks in NSW, all with their own managers and different requirements including service levels and safety, is a major stumbling block to a more coordinated and consistent freight network in NSW.
- Government must remain focussed on the strategic importance of port access to the city of Sydney and access to industrial land in metropolitan Sydney.
- In the longer term, the freight and passenger networks will need to be fully separated in Sydney to ensure the population and freight growth in NSW can be accommodated.
- Recognising Western Sydney's strategic importance, it is necessary to expedite the Western Sydney Freight Line (WSFL) and establish future intermodal terminal(s) in Western Sydney.
- Reducing uncertainty and risks associated with purchasing Zero Emission Vehicles (ZEVs) is key to enabling freight businesses to make effective long-term sustainability decisions.

Pacific National supports the immediate actions and directions identified in the Interim Directions Paper, with the exception of the direction to consolidate and close disused and under-utilised rail lines. As outlined in the body of this submission, the unpredictable nature of regional weather patterns and fluctuating annual volumes of grain harvests suggests that the closure of grain lines should be treated cautiously.

To develop a roadmap that builds on reform over the next two decades, we suggest that the following actions and directions be prioritised within the Freight Policy Reform Program:

- Separate the freight and passenger rail and provide a dedicated freight network in metropolitan Sydney.

- Complete the business case and land acquisition to commence development of the Western Sydney Freight Line.
- Increase the required level of service for the Sydney Trains network, including developing and refining performance measures and targets.
- Consider measures to improve coordination between the networks, including opportunities to align service levels and performance measures.
- Undertake a formal review of the NSW rail access undertaking and develop a replacement instrument.
- Reduce complexity of the rail system by reducing the number of network managers and increasing harmonisation between networks.
- Work to enable the provision of saleable, end-to-end rail access – a cycle that includes a timetable path from an intermodal terminal to the port, a window at the port and a timetabled path from the port back to an intermodal terminal.

Pacific National congratulates the Independent Panel on taking a forward-thinking approach to freight policy in NSW. Our consultation responses are attached, and we trust you find them useful in informing your review.

If you would like to discuss anything in this submission, please contact Pacific National's Regulation Access and Policy Manager, Susan Furze, at [REDACTED]

Yours sincerely,



Andrew Beck
Chief Legal Officer – Pacific National

Detailed response to selected consultation questions

Pacific National

Pacific National is Australia's largest private rail freight company with a proud state heritage which dates to the formation of the NSW Government Railways in 1855, Pacific National has a strong presence and investment profile in NSW, including:

- Head office located in Sydney and more than 1,800 highly trained workers deployed across the state, including 1,300 people based in the regions. Our operations in NSW form the backbone of the national rail supply chain, which includes our essential frontline workers transporting 880,000 intermodal containers and 28 million tonnes of bulk freight (e.g. export grain, steel etc) each year.
- More than half-a-billion dollars invested in recent years in the delivery of critical rail freight infrastructure and initiatives like St Marys Freight Hub (Western Sydney), Parkes Logistics Terminal (Central West) and \$350 million acquisition of 50 new more environmentally friendly freight locomotives (being assembled by UGL in Broadmeadow).

Pacific National is therefore keen to support the development of a resilient and efficient NSW freight network that will reduce double-handling, increase resilience between networks and deliver productivity and environmental benefits within NSW and across interstate supply chains.

Information and data

Consultation question

In the first round of consultation there was widespread agreement that industry data was poor and not available. What particular data deficiencies were you considering?

Freight data in Australia faces several significant deficiencies, which limit its ability to inform efficient policy and logistics decisions. One major issue is the lack of comprehensive market share data by transport mode for major freight routes.

Regular collection and annual publication of this data would highlight where there is latent rail capacity to meet the demands of future population and freight growth and track the effectiveness of policy measures to incentivise emissions benefits and mode shift to rail. Any published data should be aggregated at a high level and anonymised, and for rail freight we would suggest that the RIMs would be best placed to provide the information.

Consultation question

Acknowledging that commercially sensitive data and personal data must be protected, what data would you find particularly helpful to have access to in your operations?

In addition to the reporting of road and rail closures, delays, and average speeds on freight routes, it would be useful to have service level and resilience data that includes time to recover from events such as floods. Similarly, it would be beneficial to have metrics that measure carbon emissions avoided due to freight running on the rail network rather than road, to support NSW's target of net zero emissions by 2050.

Pacific National would welcome data that compares rail and road pricing and government investment for major freight routes. Despite road freight transport imposing higher economic externality costs on the community in terms of accidents, congestion, and emissions compared to rail freight, these are not appropriately factored into road freight charges.

While trucks pay registration and a road user charge, this cost does not cover the sector's share of road maintenance, accident, congestion, or emissions costs. By comparison, rail access charges are demonstrably higher. This is because charges are based on a formula that incorporates network cost recovery, including returns on investor capital. From the very start, this disadvantages rail freight. Given the benefits to the economy, environment and community using rail over road for freight, it is beholden on governments to recognise additional support for rail freight is warranted.

Consultation question

Would further information sharing between others in your freight logistics chain be useful?

Within rail freight it would be useful to have greater information sharing and alignment between rail infrastructure managers (RIMs) on KPIs to assess the efficiency of the rail freight network, as well as alignment on signalling and communication systems, safe working arrangements, fatigue management and train driver and skills accreditation rules. This would support the National Rail Action Plan.

Strategic planning and industrial land

Consultation question

Will the proposed changes to planning policies and guidelines to embed freight as a utility and prioritise a focus on industrial land assist in addressing your current operational challenges?

Pacific National welcomes the focus on industrial land and freight corridor preservation. In particular, the migration of industrial freight catchments westwards in Sydney will require the preservation of suitable freight rail corridors and intermodal precincts. Early identification and preservation of land should provide a road map for the industry in terms of future investment and growth and allow industry to invest with greater certainty.

Consultation question

What aspects of the system do you believe should be incorporated in an overarching NSW Government master plan? What role does local government play in this master plan?

Increased demand for freight and freight services will lead to greater competition for existing network capacity by passengers and freight operators. Policies supporting separate freight and passenger rail and a dedicated freight network in metropolitan Sydney should be incorporated in a NSW Government master plan. This would increase efficiency, boost capacity and reduce congestion on the networks.

Consultation question

Are there particular issues that should be considered in relation to Western Sydney Freight Line and Mamre Road Industrial Precinct to get the best outcomes for the state?

Western Sydney is currently predominantly serviced by road and rail connections that are on a heavily trafficked network shared with passenger trains.¹ To enable goods to be transported by rail, Pacific National supports the recommendation in the Australasian Railway Association (ARA) May 2024 NSW Freight Policy Submission to complete the Business Case and pursue the Western Sydney Freight Line. Pacific National was pleased to see this action noted by the Independent Panel.

Consultation question

Have your freight operations been impacted by retrospective changes to planning approvals by local government?

The rail sector operates within complex and often inconsistent regulatory frameworks that are subject to change. Rail is heavily regulated under NSW environmental planning and regulatory frameworks, particularly when compared against road freight counterparts.

A collaborative effort to address the inherent environmental externalities associated with rail, such as rail related noise, should be a shared local government, state government and industry objective. This is in contrast to the current policy and regulatory settings that place the burden squarely on private rail freight operators. These current settings place much of the onus on rollingstock operators to invest in solutions to issues that are multi-faceted and often exacerbated by ageing infrastructure and urban encroachment on rail freight corridors.

Environmental impacts associated with rail freight transport should not be considered in isolation. The costs of environmental policy and regulatory frameworks aimed at improving environmental outcomes and reducing environmental externalities must be shared on a fair and equitable basis between local and state government, infrastructure providers and rollingstock operators to avoid negatively impacting rail freight competitiveness.

Consultation question

For the grain industry, are there particular considerations in relation to the optimum system for the movement of grain from farm to consumer?

Pacific National notes the Freight Policy Reform direction to review the NSW rail network with a view to consolidation and closure of disused and under-utilised rail lines to reduce maintenance and target funding to the remaining priority networks.

Given the unpredictable nature of regional weather patterns and variable volumes of grain harvests, we suggest that the closure of grain lines should be treated cautiously, to ensure that there is adequate understanding of data and the root cause underpinning why grain lines may not have been

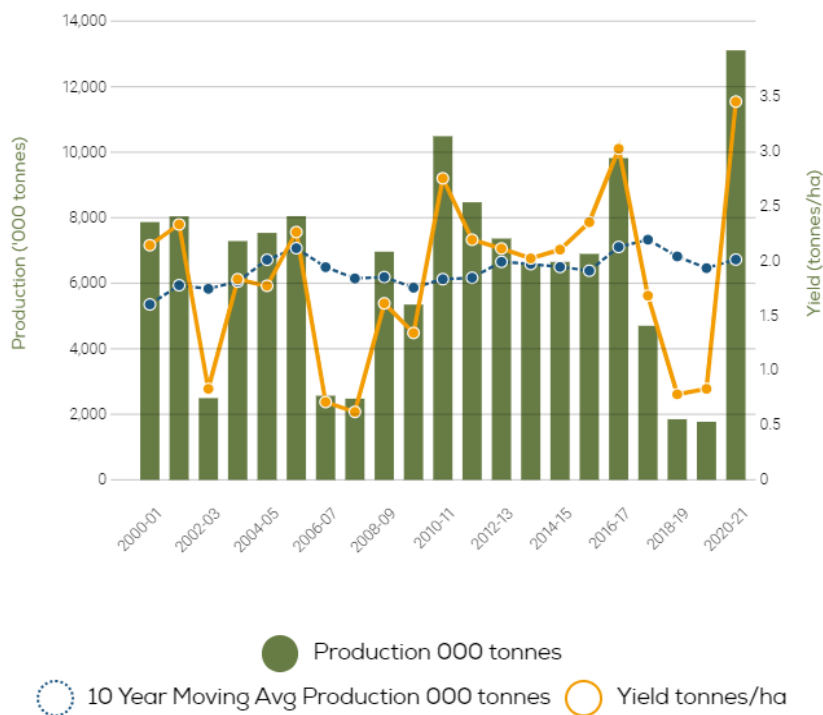
¹ Transport for NSW, Freight Policy Reform: Interim Directions, September 2024

used in recent years. For example, there have been recent cases of extreme flooding leading to track closures during peak grain periods, but the rail line servicing grain remains significant. A rare-event such as extreme flooding should not be treated as a reason to permanently close rail-lines.

Agricultural producers manage significant variability due to erratic weather patterns and fluctuating market prices for commodities. Operators in the subsequent stages of the supply chain often have limited foresight regarding the yield expectations for the upcoming season, which as shown in Chart 1 can transition abruptly from conditions of drought and poor yield to a bumper harvest, or the reverse. For grain rail infrastructure this unpredictability may leave insufficient time to upgrade a rail line to operational standards following a drought season where it may not have been used. For this reason, a more strategic approach may be to maintain grain rail lines at a consistent baseline of readiness that can be raised to full operational status reasonably quickly. This approach would also ensure capacity for expected future growth in grain production. Over the next decade feed grain demand and supply will increase in Australia, particularly in eastern Australia².

Despite the seasonal variation of grain production, there's an underlying improvement in productivity in excess of 1% year on year.³ It will be critical to understand the expected future use of all NSW grain lines to ensure they aren't closed prematurely and without adequate understanding of future demand profiles.

Chart 1: NSW Wheat Production and Yield



Source: NSW Government, Department of Primary Industries [Wheat \(nsw.gov.au\)](https://www.nsw.gov.au/wheat) accessed 17 October 2024

² Australian Government, Grains Research and Development Corporation Australia's grains industry in 2030 - a look into the future - GRDC accessed 16 October 2024

³ Australian Government, Department of Agriculture, Fisheries and Forestry, Australian Farm Productivity - Broadacre and Dairy Estimates - DAFF (agriculture.gov.au) accessed 17 October 2024

Skills and workforce

Consultation question

Are there other actions governments should take to support industry to address skills shortages in the freight sector?

In the short term there are other initiatives that can assist to address current skills shortages. These include attracting skilled freight specialists and train drivers to Australia and retaining skilled workers approaching retirement.

Pacific National also suggests the NSW Government lobby federal counterparts to have train drivers, rail engineers and technicians included on the list of priority migrant skills for fast-tracked visas. Currently the list of priority migrant skills includes jewellery designers, yoga, and martial arts instructors but does not prioritise train drivers or freight specialist roles.

Because the average age of rail employees is higher than many other industries, rail is facing a future skills cliff. A short-term measure to maintain rail specialists in the workforce for longer would be to offer

them the ability to boost superannuation by providing additional superannuation incentives/benefits. Many workers approaching retirement age are concerned they will have an insufficient superannuation

balance at retirement. This is because many workers of this age could not avail themselves of superannuation until they were advanced in their career (1992), and superannuation contributions at that time were typically in the order of 4 per cent compared to today's 11.5 per cent.

Providing superannuation incentives/benefits would have a dual benefit of ensuring valuable skills are

retained long enough to pass them on to younger workers, and it would also boost superannuation balances to reduce the burden on society when these aging workers eventually retire.

Consultation question

What steps can industry take together to address the skills and talent requirements?

There is a particular need for industry and government to work together to ensure we have a freight workforce skilled in future rail technology, including hydrogen, electrification and automation.

The ARA's 2022 Building Australian Rail Skills for the Future report identified workforce gaps in the rail industry of up to 70,000 skilled workers by 2023, including those specialising in emerging rail technology.⁴

The report identified four areas of action for industry and government to address:

⁴ ARA, Building Australian Rail Skills for the Future, March 2022 [Building-Australian-Rail-Skills-for-the-Future.pdf](https://ara.net.au/Building-Australian-Rail-Skills-for-the-Future.pdf) (ara.net.au)

- Leadership, collaboration and partnership: work together to deliver an Australian rail training system that provides consistent, accessible, high-quality provision across our jurisdictions.
- Strategic workforce planning: understand and plan for future workforce needs, ensuring skills supply meets industry demand.
- Attracting, recruiting and retaining our workforce: attract and retain a diverse workforce, as leading employers and an industry of choice.
- Skilling our workforce: build and future-proof industry capability and support individual carer progression through transferrable skills development.

Decarbonisation

Consultation question

Inform us about your current emissions reporting and how you expect this will change with new accounting standards.

Pacific National is required to comply with the *National Greenhouse and Energy Reporting Act 2007* ('NGER Act'). Accordingly, Pacific National must submit annual NGER reports via the *Emissions and Energy Reporting System* ('EERS') by 31 October each year. In addition, in accordance with the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 ('Safeguard Rule'), Pacific National submits annual production variables by 31 October each year.

Pacific National reports its Scope 1, 2, and 3 emissions, as well as Scope 1 emissions intensity, in its annual ESG report. KPMG provides external assurance for the data in the ESG report and for FY24 Scope 1 and 2 emissions have received reasonable assurance, while Scope 1 emissions intensity has been limited assured by KPMG. In FY23, Pacific National began reporting on Scope 3 emissions and is advancing its understanding of its Scope 3 emissions footprint.

Pacific National will report in alignment with the mandatory Australian Sustainability Reporting Standards (ASRS) requirements in the future. Pacific National aims to pre-assure its Scope 3 emissions and will incorporate both market-based and location-based reporting for Scope 2 emissions in the coming year.

The main change with the new accounting standards is the mandatory requirement for the assurance of all the emissions.

Consultation question

What plans (if any) are you implementing and considering for the future to lower your emissions?

Pacific National is focussing on operational carbon emissions reduction and carbon emissions intensity reduction. This includes improving the fuel efficiency of our existing assets through technology such as Trip Optimizer™; reducing locomotive idling times; the purchase and deployment of fuel-efficient locomotives; enhancing train-crew skills to operate trains safely and efficiently; green energy procurement; and switching to Solar LED yard lighting.

Pacific National is procuring more wagons that will allow us to increase the weight (and hence efficiency) of our trains through double-stacking containers, with one container on top of another. In addition, Pacific National has completed a range of other actions, including installation of solar panels at two of our freight terminals and completing initial trials of biodiesel fuel along three legs of the Melbourne to Brisbane route. Our team reported that these were a success with the locomotive operating as normal while using biodiesel.

Additionally, Pacific National is investigating opportunities for alternate methods to power locomotives through the use of battery electric and hydrogen technologies. Presently, these technologies require further development before they are commercially viable.

Consultation question

What incentives or other changes are needed to enable you to shift from road to rail mode for at least some of your freight transport chain?

The quickest and most efficient way to decarbonise the national supply chain is to support the mode shift of freight from road to rail. Compared to road freight transport, rail is significantly more fuel efficient and a 1,800m long train removes the equivalent of approximately 110 B-double trucks from the road.⁵

The superior fuel efficiency of rail freight is due to the lower rolling resistance of steel wheels against steel rails (compared to truck tyres on road surfaces), and lower wind resistance as a result of the configuration of trains with each wagon partially shielding those following it. There are also ongoing initiatives to improve rail energy efficiency through advances in control system technology and route optimisation. As a result, rail freight transport is three to four times more carbon efficient per tonne transported than road freight transport.

Rail also indirectly supports emissions reduction by taking trucks off the road to alleviate traffic congestion. Congested traffic has adverse environmental outcomes and research has shown that the stop-start traffic conditions associated with congestion increase fuel consumption and greenhouse gas emissions by around 30%.⁶

Government policy settings required to support a transformative freight mode shift from road to rail to reduce national supply chain emissions include:

- Setting mode share targets to actively grow rail freight utilisation.
- Delivering harmonisation of rail standards.

⁵ ARTC - Inland Rail Business Case / Inland Rail facts <https://inlandrail.artc.com.au/what-is-inland-rail/>

⁶ Reducing congestion boosts productivity and reduces delays. Reducing congestion also benefits the environment. Driving in congested traffic increases fuel consumption and emissions. Research has shown that the stop-start traffic conditions associated with congestion increase fuel consumption and greenhouse gas emissions by around 30%. <http://energycut.com.au/business/wpcontent/uploads/2015/03/The-Effects-of-Traffic-Congestion-on-Fuel-Consumption-and-Vehicle-Emissions.pdf>

- Considering how rail freight infrastructure and usage is priced compared to road freight and establishing a level playing field for rail and road freight more generally.
- Providing increased funding grants to enhance the resilience of existing rail networks.

The recent amendments to the Safeguard Mechanism by the Federal Government have impacted rail operators more significantly than road operators and will increase costs for rail operators. In addition to the above points, incentives for freight owners to use rail over road will help in defraying some of these costs and help to drive down overall emissions.

Consultation question

What is your view of a charge or tax that would be applied to all vehicle emissions?

In considering a charge or tax that would be applied to all vehicle emissions, it is essential to carefully assess its interaction with the existing Safeguard Mechanism. The Safeguard Mechanism already acts as a pseudo carbon price for large organisations. Overlaying a new carbon pricing mechanism could risk creating regulatory complexity and resistance from industries already covered by the Safeguard Mechanism. Therefore, if an emissions tax or charge is to be considered, it should replace the Safeguard Mechanism, not act as an additional layer.

From a policy perspective, Pacific National would support replacing the Safeguard Mechanism with a comprehensive carbon pricing system that captures all organisations rather than just the largest emitters. This could streamline the approach and ensure a uniform carbon price across sectors, potentially creating a more efficient and equitable framework that does not drive users to more carbon intensive modes that are not subject to the Safeguard Mechanism. However, it is important to highlight that such a system would need to be applied on a national scale. Introducing an emissions tax or charge solely in NSW could present significant regulatory and economic challenges, as a state-specific approach may not integrate effectively with national markets and emissions reduction strategies.

Resilience

Consultation question

Recognising network resilience is challenging given the scale of the network and range of potential disruptions, are there particular areas of focus beyond those noted above that should be considered by governments to secure reliable freight movements?

As noted in the Freight Policy Reform: Interim Directions Paper, many sections of both rail and road freight routes lack resilience and are being increasingly impacted by floods and other severe weather events.

In addition to considerations addressing resilience for single points of failure and the actions and directions already noted by the Independent Panel, focus should be given to addressing barriers to collaboration. Within the rail freight sector, government should support collaborative efforts for RIMs to address resilience collectively and create a supply chain solution, rather than each RIM developing single organisation level plans. This would streamline planning and coordination and improve above and below rail efficiency.

Pacific National is pleased the National Transport Commission (NTC) is developing a new regulatory requirement in the Rail Safety National Law for rail transport operators to have an Interoperability Management Plan as part of their Safety Management System. The proposed regulatory change will require rail transport operators to consider national interoperability when planning changes to their railway operations.

Pricing

Consultation question

Its clear pricing and charging lacks consistency and transparency across the freight system. Are there issues other than those already identified that governments should consider in relation to network pricing?

Pacific National agrees with the Independent Panel finding that in terms of user cost, at present the road and rail pricing regimes favour road use. In addition to the issues already identified in the Interim Directions Paper, it is worth explicitly noting that on rail networks where there is substitutability and road competition for freight, the market should set access charges.

The traditional building block model for establishing the maximum allowed revenue of a below-rail operator becomes irrelevant on rail networks where there is competition from road freight. Rigid application of the building block formula would result in rail access charges so high it would drive rail operators out of business. Increases in access charges that are passed through to customers via rail freight charges would result in customers switching to the cheaper option that ignores the economic externalities of congestion, safety and carbon emissions, moving their freight by road. In this way it is the market that constrains access charges in contestable freight markets.

The need to keep rail freight competitive and grow mode share is important for the economy, good for the environment and safety outcomes, and a smart way to strengthen the resilience of NSW and national supply chains. Over long distances trains burn less fuel and carry higher volumes than road transport, so when freight switches to rail it reduces supply chain emissions and reduces road accidents and congestion.

Ports

Consultation question

Are there other port policy matters that are essential for NSW Government to include in its plan for freight in NSW?

Pacific National supports the port actions and directions of the Independent Panel. It is worth reiterating that the movement of freight requires an integrated approach, particularly around ports, with seamless connections required between the ports, road and rail.

It is critical that ports have sufficient capacity for trains as well as trucks, to ease congestion on the surrounding road network and minimise 'wear and tear' on road infrastructure. By incorporating rail capacity, ports can create a more balanced and efficient freight transport system, optimising the flow of goods while minimising the negative impacts on road congestion and the environment.

Historically, rail access pathing through the Sydney Trains network, ARTC network, and individual stevedores have made port shuttle operations in Port Botany exceptionally difficult. Furthermore, the economics of road transport in the Sydney metro (even accounting for tolls) do not fully capture the negative externalities of this mode and as a result, rail struggles to be price competitive despite its many social and economic benefits.

An incentive scheme payable to freight owners who choose rail transport would reduce congestion, road maintenance costs, and emissions in Sydney.

Rail

Consultation question

Issues impacting rail freight are varied and wide-ranging. Is there anything critical missing from the actions and directions above that will inhibit rail modal shift?

Pacific National supports the Independent Panel finding that having three separate rail networks in NSW, with their own processes and requirements, is a barrier to a more coordinated and consistent NSW freight network. We agree with the proposed solution to reduce the number of network managers.

We note that while longer term considerations regarding the provision of dedicated freight lines have been discussed, in the short term it would be beneficial to explore the concept of priority paths for freight trains which are carrying materials vital to the wellbeing of Sydney and NSW residents and otherwise likely to move on road transport, e.g. putrescible waste, food and consumer goods.

Pacific National also agrees with the focus of the Interim Directions report on industrial land and freight corridor preservation, and the need to separate the freight and passenger networks in Sydney to ensure the growth of NSW can be supported. Having a fully separated rail freight network could mitigate rail related environmental externalities, such as noise and exhaust emissions, because the freight rail network could be purpose built to address/alleviate these issues.

Consultation question

Are there particular performance measures that you consider appropriate for the rail network managers, rail infrastructure providers or rail freight operators?

Regular provision of data and KPI reporting can be an effective and transparent way to monitor the condition of the rail freight network and the service provided. Useful rail freight performance measures include those focussed on resilience, reliability, capacity, volume growth, carbon emissions, and root cause analysis of cancellations and network delays (including weather related outages).

Most importantly, Pacific National encourages the development of consistent performance measures across jurisdictions. We suggest that in considering amendments to NSW rail freight performance measures there should first be consultation with rail operators and other jurisdictions to align performance definitions, calculations, and parameters where possible.

Consultation question

Are there matters relating to implementation of the proposed actions and directions you would like the Panel to consider before finalising the recommended approach to addressing rail network issues?

Pacific National supports the initiative to undertake a formal review of the NSW rail access undertaking, with a replacement instrument to be in place by 2026.

Regulatory certainty is a key principle, and we encourage a consistent approach to access regulation. As such, the replacement instrument should seek to harmonise with those rail freight access undertakings in other jurisdictions. This would aid the efficiency of rail freight, improve operational certainty, and reduce barriers to investment.

We stress the need for immediate action on progressing the review of the NSW rail access undertaking, to allow sufficient time for RIMs and rail operators to plan and transition business models in advance of 2026. It will be essential for rail operators to understand any major changes to pricing, terms and conditions well ahead of time, as these need to be built into future customer contracts (that are often being negotiated more than a year in advance). Not doing so could affect the viability of rail operators, disrupt the supply chain and impair the timely movement of goods within NSW.