

28 April 2011

Infrastructure Australia
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Comments on National Land freight Strategy Discussion Paper, February 2011

Please find enclosed comments on the Discussion Paper on behalf of the Victorian Freight and Logistics Council.

A national approach to network planning and investment to facilitate productivity and competitiveness is endorsed by the Council.

We recognise the challenges of achieving scale economies on segments of the network; congestion on key routes; and the risk to national competitiveness from under-investment in our freight network as major concerns of industry. The lag in jurisdictions keeping up with a national and often global marketplace for freight exacerbates these challenges.

It is apparent to us that industry has a great deal to offer government in planning for development and investment in a national freight network and in establishing frameworks for industry regulation and ongoing strategy.

The network will need to be focused on freight customer requirements as opposed to entrenched modal operations. More attention to interfaces between modes will deliver the greatest ongoing benefit, so matters beyond infrastructure projects, including regulation of access, transparency in pricing and information supply, are all essential elements of strategy.

It would be useful if the National Freight Network Strategy focused on key areas where improvements can be –

- i) driven from a national platform eg: ICT standards, data collection, network performance standards, appraisal methodology; and
- ii) add new dimension and support for existing mechanisms and processes (COAG; ATC; SCOT; NHVR; NRSR) rather than creating a new organisation in what appears to industry to be a busy space.

Victoria has the structure and mechanisms for industry input and the willingness of State Government to address freight strategy. A national framework which can incorporate all jurisdictions including local government will enhance the effectiveness of Victoria's freight strategy.

I enclose some recently completed work from the VFLC where we have established a linkage between economic productivity and infrastructure capacity. We believe this approach, which identifies the productivity gains from infrastructure investment, may be able to attract industry investment in a more relevant way than the current models that are not freight-specific.

Yours sincerely

John Begley
Chairman
Victorian Freight and Logistics Council

Ref p 3: The imperative of productivity

How is freight productivity measured?

How is it linked to network capacity and performance?

How much productivity might be unlocked through network investment?

It is evident that benchmarks and indicators of freight efficiency are not meaningful to industry and more often relate to infrastructure capacity metrics than to the means by which a freight customer or supplier of freight services might capture productivity.

Relating supply chain metrics (e.g. cycle times; cost of transport per product unit; delivery in full on time – DIFOT; fuel consumption; trips per tonne saved) would enable customers and suppliers to link their metrics to network performance and to value improvements and upgraded network capacity.

The example of surplus off-peak capacity on a network, which may be poorly valued or represent a productivity loss to a shipper or transport operator, indicates the need to link temporal capacity to supply chain value.

The case for opening road networks for longer PBS vehicles is one in which both freight customers and suppliers have been able to supply associated metrics related to the productivity they can capture from the enhanced capacity on the network.¹

What is needed as part of the National Freight Network Strategy is an investment appraisal methodology which links tangible productivity gains with network capacity investment. This would both provide justification for levies and taxes associated with financing this investment and/or attract private sector interest.

Where benefit streams in appraisals are meaningful for freight customers, we can envisage the potential for “pick and pay” in the form of BOOT schemes for strategic infrastructure that yields a productivity “profit” for private sector investors.

Ref p 3

Long term goals

“appropriate separation of personal transport and freight”

The question of shared networks and/or the separation of personal transport and freight needs to be analysed carefully. At present in Victoria, freight is accorded a lower priority in metropolitan Melbourne and on regional passenger lines- particularly since rail capacity allocation subscribes to the principle of passenger priority.

The Victorian Rail Corporations Act 1996, Section 38H principle of passenger priority states *“the principle of passenger priority is the giving of priority to the provision of declared rail transport services over the provision of declared rail transport services to other users. Other users means.... those who provide freight services...”*

This links in with Page 17 of the National Land Freight Strategy which indicates that *“...freight train operation may be restricted by the types of ‘curfews’ already in place in Sydney and Brisbane.”*

This is unlikely to change and it is expected that the growth of Melbourne and provincial centres will encourage higher patronage of public transport. The proposal to restrict freight (particularly rail freight) operations to night or off-peak generates a cost, which acts to erode competitiveness.

¹ VFLC, 2011, Infrastructure Upgrades Rapid Appraisal Methodology.

Is there comparative evidence of the cost of off-peak operations defraying the cost of network congestion?

Countervailing this view is the reality that we struggle to supply transport infrastructure and should do all that is possible to sweat existing assets. The MARP report indicates significant off-peak capacity on inter-capital rail infrastructure which could be marketed more effectively.

Freight customers are not geared for off-peak operations. While VFLC has encouraged direct off-peak deliveries to customers, the reality now supported by two studies² indicates that the prevailing situation for international sea cargo is that the transport industry is “working around” the customer’s work hours by staging deliveries via their own depots i.e. transport operators are internalising these costs as part of their service delivery.

Ref p3 Dealing with interfaces

Interface geography, processes and governance tend to not only generate a “cost plus” situation for management of interactions. They also create potential for “gatekeepers” to establish proprietary processes and systems that effectively control a node. This has resulted in sub-optimal investment as alternative pathways and suppliers are developed or users are restricted in a competitive sense.

Through our work within industry, open access regimes and transparent pricing regulation seem to be the most effective means to overcome this barrier. Establishing standards for information transfer to ensure interoperable systems is another means to open interface transactions. For this reason, the NFNS should incorporate a regulation and information standards strategy element. Network plans should consider freight community portal systems and national specification of communication and IT standards for messaging along domestic and international supply chains.

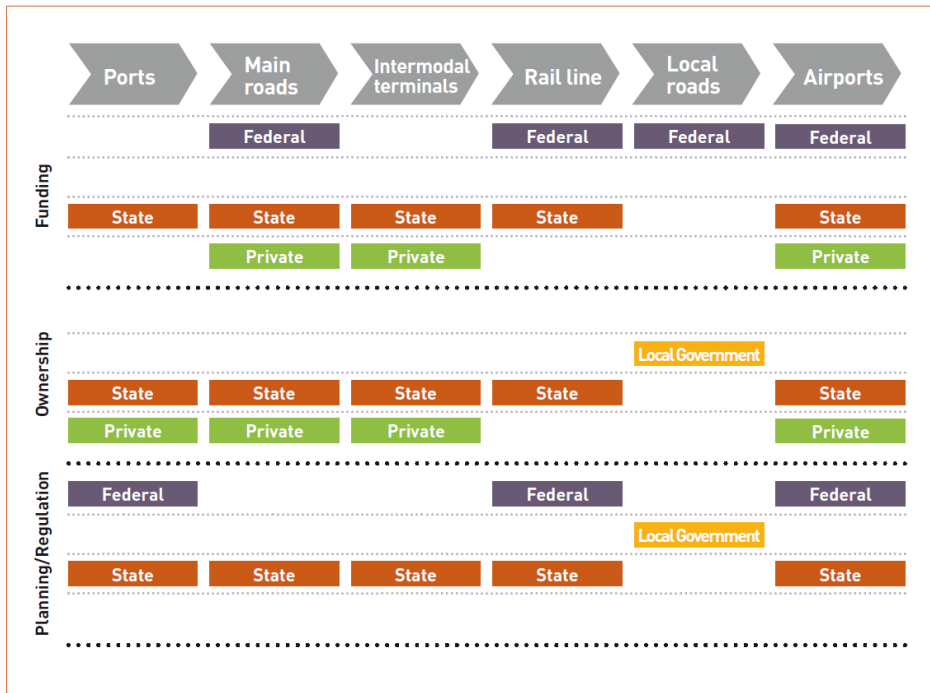
Governance of interface areas (intermodal hubs, sea and airports) would benefit from a greater focus on supply chain management. A number of strategic hubs for freight are co-located with or interface with passenger transport. Most intermodal nodes have a mix of governance arrangements in place as well as a mix of asset ownership and management arrangements and regulators.

Those interface areas that form part of the national freight network need specific recognition. This could be achieved via a number of mechanisms and should form part of the national, strategic approach. They include –

- o legislation recognising their role (e.g. state rail acts; state planning and environment acts);
- o endorsement at national and state levels in planning instruments (state planning policies; freight strategies as referral documents, masterplans);
- o qualification for recognition in environmental assessment and land use regulation as of national significance and development facilitation.

This would support the notion of the need for corridor and node buffering and protection to enable freight operations without incursion by conflicting land uses and activities.

² VFLC, 2007, Truck Optimisation Plan, Port of Melbourne, Dynon, www.vflc.com.au
Port of Melbourne Corporation, 2009, Container Logistics Chain Study, Port of Melbourne and Dynon Rail Precinct



Source: VFCLC, 2010.

Given the mix of ownerships, regulators and funders, a better mechanism for driving a freight strategy will need to be found. The figure demonstrates the inability of any one jurisdiction to control the entire suite of infrastructure that may be involved in a freight network. This complexity indicates that it may take more than a Plan and more than funding, to bring together this mix of stakeholders. While the states can work with the Federal government, it is evident that they need the cooperation of local government and private sector to implement a Plan.

The Australian Logistics Council has posited the creation of a body titled “Freight Australia”, which would have a mandate to oversight freight strategy and development of freight network infrastructure and regulation. There is a lack of clarity around its role and relationship to existing bodies, including the Standing Committee on Transport, Infrastructure Australia, the National Transport Commission and state and Commonwealth departments responsible for transport and infrastructure.

Ref p7 Next Steps

The Next Steps are generally supported and in particular, the need to generate performance frameworks for infrastructure operated by monopolies. Reference to international standards and comprehensive benchmarking is recommended.

There is also a need to work up some international and domestic models that will assist freight movement deal with turbulence in supply chains. Logistics will experience interruptions and infrastructure will be affected. Testing scenarios for maintaining supply chains will be an important element of future planning and strategy.

General Comments

A National Freight Network Plan

The National Freight Network Strategy needs to clearly lay out the requirements for the network. It needs to explain the status associated with being included in the national freight network. Is it

- o Access to development facilitation?
- o Infrastructure investment?
- o Specific governance arrangements?
- o Specific planning requirements?
- o Specific land use regulation?
- o Specific economic, access regulation?
- o Performance measurement and capacity management?
- o What standards to ensure information can flow seamlessly will be required for all network infrastructure/users?

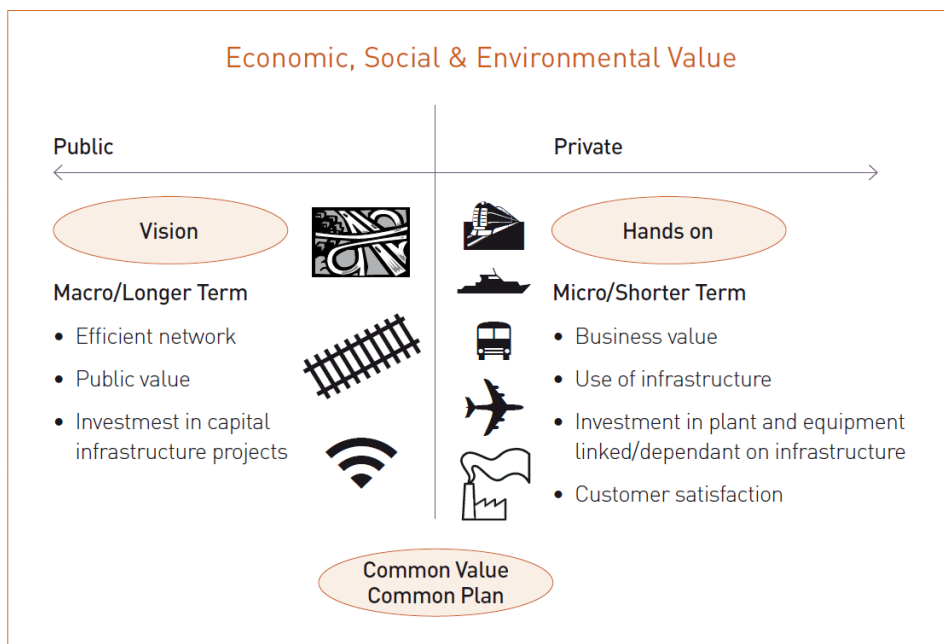
From the initial suite of network infrastructure, how will future additions to the network then be made?

How will freight demand be forecast? How will new network nodes or segments be identified and added?

Having a plan will not in itself deliver outcomes for freight. However, if the Plan is attached to a program, with planning controls, investment models and governance arrangements that facilitate freight regardless of location or mode, industry may be more inclined to commit resources and participate.

The need for infrastructure to respond to economic demand

Mechanisms to gather industry intelligence will be critical to the national freight planning process. The lag time between government infrastructure and regulatory processes responding to industry is often long. In turn, government must ensure its investments are robust and more long-term focused. There must be mechanisms developed to establish the set of common values and elements to the national freight plan.



Source: VFLC, 2009, Freight Forward.

Priority Areas

1. Identifying a national land freight network

- based on freight task
- improvement based on productivity gains (e.g.HPVs)

Network will –

- allow use by most efficient vehicles and operations
- promote interoperability
- allow improvements for freight, paid by freight
- improve amenity, safety and environment
- streamline approval processes
- develop and test major scenarios

Comment: There needs to be more detail provided on the above features of the network, however, generally agree with notion.

Should airports be included as they form a critical freight distribution function?

Page 58 of the National Land Freight Strategy - “A map would show the network and therefore where, after necessary improvements, the most efficient general freight vehicles should be permitted to operate”. How often will this map be updated and publicly available?

It would be useful if the National Strategy focused on key areas where improvements can be driven from a national platform eg: ICT standards, data collection, network performance standards, appraisal methodology.

2. Completing a strategy

- content
- integration with other plan documents
- staging
- processes to develop the plan
- assistance with planning and forecasting

Comment: This listing of network improvement opportunities should be approached in a consistent way. While using as much previous work (e.g. AusLink corridor studies) as possible, it should also be overlaid with industry evidence related to the improvement needs of the network, so that shared value can be assessed.

3. Ensuring plans can be executed

- national consistent environmental management regime
- national, streamlined approval processes
- buffer strategies in policies and plans
- assessment of the effectiveness of above

Comment: Strongly support national consistency. This would represent savings for companies developing and investing in the network and building businesses using the network.

4. Freight infrastructure improvement and access

- CRRP trials
- network improvement rights

- off-network access issues

Comment: Further options to facilitate investment by industry are required. Improvement appraisals need to relate to freight productivity as much as asset capacity. Regional freight access plans are a means to articulate first and last kilometre access with the national freight plan.³

5. Governance

- more consistency in terms of ownership, community service obligations, regulation, planning e.g. separate management of task-specific railways; unified governance of Australia's general freight railway under ARTC.

Comment:

Page 69 of the National Land Freight Strategy indicates” there is strong need for substantially increased intermodal terminal capacity in capital cities, especially in Sydney and Melbourne.”

The long term direction towards greater intermodal terminal capacity is consistent with current work by DoT on Metropolitan Intermodal System (MIS) and PoMC's work on Melbourne Port System. However the short to medium term objective may include land reservation. Also, the Multimodal Australia Responsiveness Project (MARP)⁴ prepared by VFLC could complement planning in this space.

This is perhaps the most effective means to ensure a national freight network strategy can receive the drive and support required to deliver national outcomes. Multi-modalism is in its infancy in Australia and there are already many proprietary information systems operating to variable standards.

The question is whether a stand-alone agency to husband the formation and development of a national freight plan is required, or whether establishment of principles and agreements between levels of government is sufficient? A clear brief for the role a freight authority might perform is required. The agency would need to assume sufficient powers to ensure jurisdictional frameworks could align. Given a proportion of the freight network is a shared network with passenger transport, it seems unlikely that a dedicated agency could quarantine the whole network into one management agency, so while it seems attractive to have one “Freight Australia” agency, it may not be realistic.

³ VFLC & MAV, 2010, Local Government Capacity Building: Planning for Freight, www.vflc.com.au

⁴ VFLC, 2010, Multimodal Responsiveness Australia Project, www.vflc.com.au