

Joining forces on future of freight

The rail industry has marked a significant milestone with the launch of the Future of Freight campaign.



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This is the first time that industry has come together, with the support of Government, to tackle the significant issue of the underutilisation of rail to meet our national freight task.

The campaign is the result of comprehensive research led by the Australasian Centre for Rail Innovation (ACRI), with input from the ARA and Freight on Rail Group (FORG), and supported by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

The landmark research project, which was launched by Federal transport minister Catherine King at Pacific National's Melbourne freight terminal in November, makes several key recommendations.

It identifies barriers and provides solutions to increasing rail's mode share of freight so as to harness the significant benefits rail freight has to offer.

The research will serve as an important platform for industry and government to implement changes that better enable rail to play a far greater role in Australia's significant and growing freight task.

The research focuses on three main themes impacting rail freight in Australia – understanding conditions influencing modal share, infrastructure and planning requirements and safety and operations.

There is no doubt that urgent action is needed to increase rail's share of freight to meet future transport needs, reduce emissions and foster economic growth.

The underutilisation of rail freight is a missed opportunity that is costing the Australian economy and stands in the way of reaching net zero targets.

Our freight task is significant and growing and we need a resilient, reliable and efficient

national rail freight network to support the economy and community.

Road and shipping cannot alone meet this demand, and new policies and more strategic investment is needed to support greater use of rail.

Previous ARA research shows that a 10 per cent mode shift away from road to rail between major capital cities in Australia will reduce the social costs created through emissions, crashes and accidents and health costs from emissions, with total estimated benefits of more than \$700 million per year.

The research project identifies several constraints hindering rail's share of freight. They include a lack of a 'level playing field' between modes, a lack of interoperability between jurisdictions, poor harmonisation of safety standards, operating rules and regulations, rail infrastructure gaps impacting transit time and availability and a lack of transparent freight data.

No one can argue against the fact that increased use of freight rail will bring great economic and environmental benefits but a lack of reliable infrastructure, inadequate focus on productivity and inconsistent standards and regulations across the continent are preventing this.

This is despite the fact that a strong, effective rail network will strengthen our supply chains and make us more competitive in the global economy.

The research suggests several practical steps to increasing mode share of rail, including establishing a national rail regulator to enable mandatory, consistent standards, investments in infrastructure with a focus on resilience and reliability initiatives, enhanced collection of road and rail use and train service reliability data and a review of cost-benefit analyses to ensure economic, social and environmental benefits are fully considered in rail/road investment decisions.

ACHIEVING MODE SHIFT

There is a strong argument in favour of increasing rail's mode share – it offers many benefits to the economy and the community.

Rail moves almost three quarters of Australia's bulk commodities, but accounts for just 17 per cent of non-bulk freight and is most efficient over long distances, especially over 1500km.

However, it has traditionally struggled to capture market share on key Australian freight routes between Sydney, Melbourne and Brisbane, with a range of issues impacting the speed and efficiency with which freight can be moved through our major cities.

Rail's share of inter-capital freight is only 11 per cent across the eastern seaboard, and as little as two per cent on Australia's busiest freight corridor between Melbourne and Sydney. Less than a third of freight (28 per cent) is on rail between Melbourne and Brisbane, the future service area for the Inland Rail project.

Boosting the role of rail freight on key interstate freight routes, particularly between Melbourne-Sydney-Brisbane, should be a key focus for governments and the rail industry.

More road freight means more trucks on the road – leading to more traffic, safety concerns and pollution.

Further, while some international companies offer cheap coastal shipping, it can be a risky proposition to rely too much on this mode.

During the COVID pandemic, many international shipping companies stopped serving Australia, weakening our supply chains.

The pandemic laid bare the essential role of a strong national supply chain and the importance of rail as part of our national network, but showed that more investment in infrastructure is urgently needed, particularly in terms of resilience measures.

This research project shows there are many influences on modal choice. Freight modes are chosen by customers based on a range of factors, many of which may be influenced by government policy settings affecting the freight sector. These include reliability, frequency/availability, transit time, complexity and risk/diversification.

To achieve increased mode share, new policy levers are required to ensure we get the right balance when customers choose where mode contestable freight is directed. This starts with how infrastructure investment is assessed.

Traditional Cost Benefit Analysis (CBA) methods used to assess infrastructure investments don't always consider the significant social, environmental and safety benefits rail has to offer.

Guidelines endorsed by the Infrastructure and Transport Ministers Meeting (ITMM) say rail projects should consider their impact on

mode shift, but the same isn't required for road projects.

That means the social, environmental and safety costs of enabling increased use of road freight are not considered when road projects are assessed.

INFRASTRUCTURE AND PLANNING

The rail freight sector is operating on legacy infrastructure that has been built to different standards.

These different approaches impact the trains that can be used and the policies and procedures that impact how freight services operate across the country.

The ARA recently called for urgent improvements to the rail freight network in a joint submission with FORG to the Federal Government's review of the National Freight and Supply Chain Strategy (see page 22).

The submission details freight outages that have cost the economy hundreds of millions of dollars in recent years.

When cost of living pressures are hitting millions of households, the price we are paying for a lack of investment in rail freight is simply too high.

With more extreme weather events impacting the freight network, there is an urgent need to invest in resilience projects to improve efficiency and keep supply chain costs low so consumers are not unnecessarily impacted by rising prices.

The submission called for a greater focus on resilience and decarbonisation as part of the national strategy, with rail freight generating 16 times less carbon pollution than road.

Earlier research conducted by the ARA and FORG confirmed the significant costs of a lack of investment in rail freight:

- Washouts on the east-west rail line in regional South Australia last year cost the economy \$320 million, resulting in severe product shortages and empty supermarket shelves
- Flooding in NSW in March 2022 led to a

total of 200 days of track outages, with 26 return services impacted each week, costing the economy \$35m

- Flooding in the Parkes region from October to December 2022 resulted in multiple track washouts, 90 days of closure and 18 areas of required repairs, costing the economy \$37m
- Flooding near Inverleigh in Victoria resulted in a train derailment in November 2022, closing the line for 7.5 days, cancelling 84 services and costing more than \$16m to the economy.

Upgrading the interstate rail network would not only improve climate resilience, but also reduce speed restrictions and weight limits and provide greater capacity for longer, heavier trains – driving down freight costs and improving road safety.

Inland Rail will create significant time savings and efficiencies for rail services from Melbourne to Brisbane. But this alone cannot guarantee a shift to rail.

Well-located intermodal terminals supported by improved technology and systems can make a significant difference to rail freight productivity.

Investment in new infrastructure will also help achieve more reliable service outcomes to encourage more customers to choose rail.

Another major impediment to increasing rail freight share is the issue of poor interoperability.

The number of independently managed rail networks in Australia has significantly increased, with differences between networks and jurisdictions making it harder to operate rail freight services efficiently.

The Commonwealth Government has an opportunity to leverage its investment in state-based rail projects to support a national approach that would improve interoperability, reduce capacity bottlenecks and boost rail's modal share.

It is encouraging that interoperability is a national Cabinet priority and the ARA looks forward to seeing some progress in this space.

SAFETY AND OPERATIONS

The number of independently managed rail networks in Australia has significantly increased, with differences between networks and jurisdictions making it harder to operate rail freight services efficiently.

This complex regulatory and operational environment effectively means that the rules that apply to a freight service change as it crosses the country.

That puts a drain on efficiency and leads to increased costs, reduced service standards and stifled innovation.

It is not unusual for rail operators which are using multiple networks to have to manage seven different regulatory frameworks, six different regulators and different requirements for individual networks.

A nationally consistent regulatory and governance framework is required to harmonise operational standards and processes, and improve safety, productivity, environmental and access regulation. The creation of a dedicated body with the power to mandate harmonised principles, standards and processes would support this goal.

Other operational constraints exist, such as the priority given to passenger services operating on the same rail network in our cities, while rigid curfews are often applied to freight services.

This severely restricts rail freight operations, causing increased delays, rising costs and reduced asset utilisation.

Addressing the issues raised in this significant research project could significantly improve rail freight efficiency.

However, for some of these factors, change can be challenging to implement. Governments and industry will need to work together to improve efficiency and support a stronger, more resilient freight network.

As we look to a net-zero future, we must make significant, meaningful changes to the way we operate to meet emissions reduction targets and create a sustainable freight network. 🚂



The ARA says that boosting the role of rail freight on key interstate freight routes should be a key focus for governments and the rail industry.