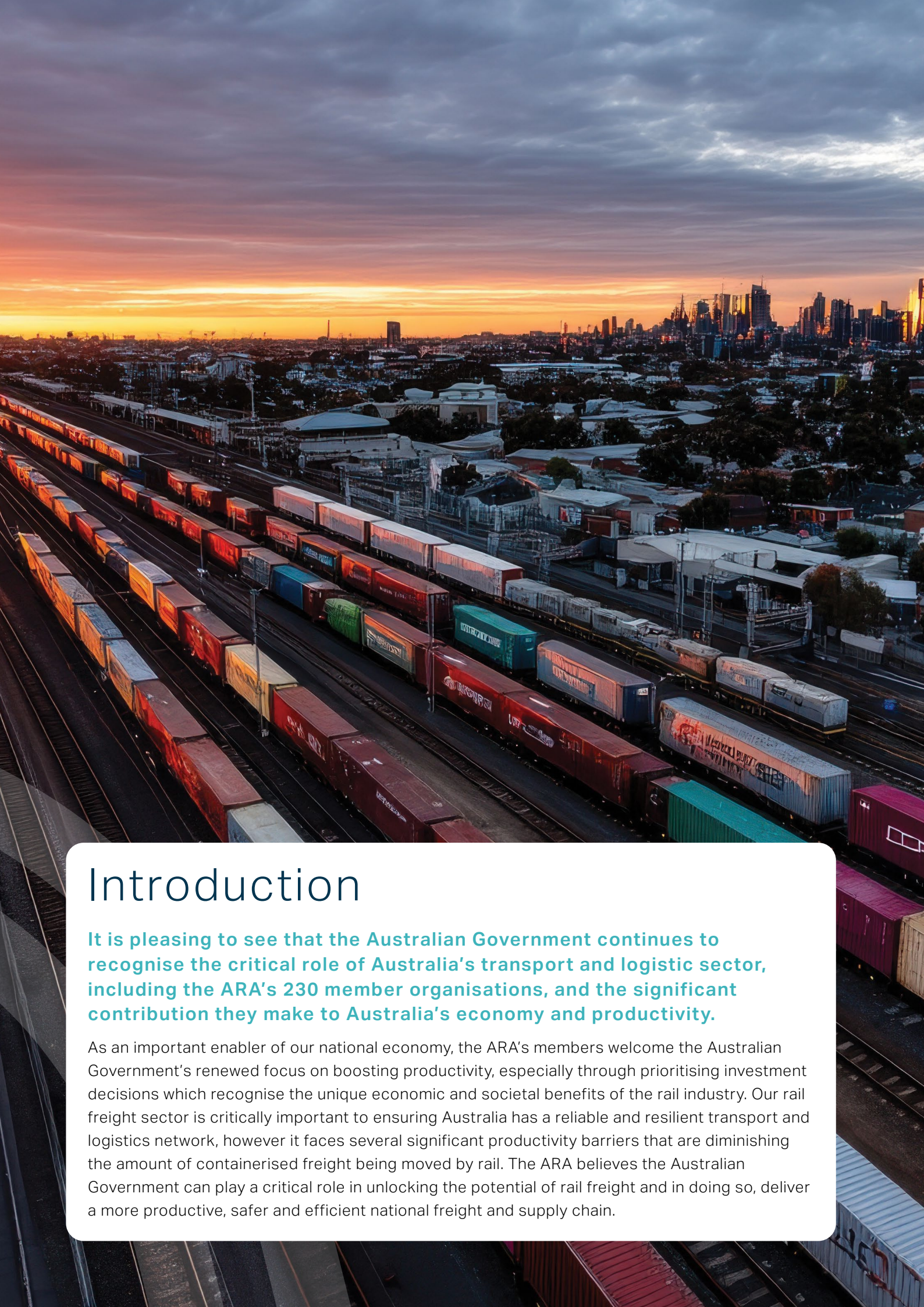




Transport Productivity Roundtable

Submission



Introduction

It is pleasing to see that the Australian Government continues to recognise the critical role of Australia's transport and logistic sector, including the ARA's 230 member organisations, and the significant contribution they make to Australia's economy and productivity.

As an important enabler of our national economy, the ARA's members welcome the Australian Government's renewed focus on boosting productivity, especially through prioritising investment decisions which recognise the unique economic and societal benefits of the rail industry. Our rail freight sector is critically important to ensuring Australia has a reliable and resilient transport and logistics network, however it faces several significant productivity barriers that are diminishing the amount of containerised freight being moved by rail. The ARA believes the Australian Government can play a critical role in unlocking the potential of rail freight and in doing so, deliver a more productive, safer and efficient national freight and supply chain.

The critical role of rail in unlocking Australia's productivity opportunity

The rail freight sector is the rail industry's most significant economic contributor, accounting for 35 per cent of the industry's total contribution. Australia's rail freight industry directly employs over 21,000 Australians and contributes almost \$11 billion annually to the economy. Rail freight is responsible for 56 per cent of the nation's freight task and is a cornerstone of Australia's transport infrastructure network. Rail freight supports regional and rural Australians by facilitating efficient access to markets and ports, crucial for agricultural and mining exports, as well as providing jobs for workers in regional areas and supporting local economies, such as the Pilbara and Hunter Valley.

Rail freight produces 16 times less carbon pollution per tonne kilometre than road freight and is up to nine times safer. Every 1 per cent shift of the national freight task to rail delivers societal benefits valued at around \$72 million annually, including reduced road accidents, lower emissions, and less traffic congestion. Rail freight is fundamental to our nation's most important industries, including mining, agriculture and bulk commodities.

Rail freight productivity challenges

In consultation with our members, and as discussed at the Roundtable, the ARA has identified the following five challenges, which are limiting the potential of Australia's rail freight industry:

- 1. Fragmented and inefficient rail infrastructure** - Australia's rail network is fragmented, even within jurisdictions, and it lacks interoperability of operating conditions across networks. This limits service efficiency and increases transit times and cost.

- 2. Dominance and flexibility of road freight** - The road freight sector has become increasingly competitive due to continuous investments in improved national and regional road infrastructure; inherent advantages enabling flexibility for freight customers; greater reliability and certainty; and generally faster transit times. Road freight has also benefited from incremental policy changes, such as the adoption of higher mass limit trucks and more flexible access arrangements, which have steadily lowered its per-unit costs.

- 3. Interfaces and connectivity** - The location, efficiency and additional cost and complexity of navigating road/rail and rail/port interfaces and last-mile integration creates barriers to service quality and reliability for rail operators and adds cost and risk to the supply chain when including a rail leg.

- 4. Reliability and timeliness** - Rail freight is faced with competing with road freight operators while managing: higher capital costs; higher terminal handling costs; longer lead times and lower control on track capacity allocation and access. Rail freight operators also deal with service reliability issues outside their control resulting from ramping network congestion, ageing infrastructure, resilience challenges, planned and unplanned maintenance, performance limitations imposed due to maintenance constraints and passenger prioritisation. Freight customers frequently cite inconsistent service levels as a key deterrent from greater reliance on rail freight, despite its widely recognised benefits.

- 5. Policy and regulatory bias for road** - Decades of underinvestment in rail and subsidies (explicit and implicit) for road freight have contributed to a competitive imbalance. Rail freight operators face higher access charges, a more complex regulatory and compliance landscape, a fragmented operating environment, and much stricter operating controls with higher safety expectations. These factors make it significantly harder for rail freight to compete on a level playing field.

Boosting rail freight productivity

All of these challenges have directly contributed to a concerning modal shift from rail to road for containerised freight, undermining national goals around emissions reduction, road safety, congestion and regional communities.

As raised at the Roundtable, a key reason for rail's stagnation is the absence of clear market signals and aligned government investment to support the sector.

The ARA has welcomed significant investments made by successive State and Commonwealth Governments to back rail freight's vital role in growing Australia's economy and productivity. In particular, the ARA was proud to partner with the Commonwealth Government to inform and enable transformational initiatives, such as Inland Rail, Australia's largest ever public infrastructure project, the \$1 billion for ARTC's Network Improvement Program, and National Cabinet's prioritisation of the National Rail Reform Program.

Despite these important longer-term commitments, investments and reforms have not adequately addressed areas of real market failure in freight rail. This has resulted in:

- Delayed or disrupted operator and private sector large-scale investment and asset renewal;
- A lack of confidence among end-customers to shift to rail for the long term; and
- A continued pattern at state and national levels of investing in the "easy" path - namely, road infrastructure and passenger rail - at the expense of freight rail, despite the clear productivity, sustainability and economic benefits.

Over time, these issues have compounded, leading to the stagnation we see today. It is the ARA's position that rail freight's role as a transformational economic enabler, and significant societal contributor, has not yet been fully realised.

Australia's interstate rail network is underperforming due to outdated infrastructure, inconsistent standards, and fragmented planning. We need a nationally coordinated, productivity-driven transformation of the rail freight network.

The Australian Government has a significant opportunity to increase productivity of the national rail network in four ways that will have a net neutral or net positive impact on the Budget.



Recommendations



1. Rail freight policy and regulatory reform

The lack of interoperability across Australia's rail networks is the single biggest drain on the sector's productivity and has been prioritised for action by National Cabinet, via the Infrastructure and Transport Ministers Meeting (ITMM). There is a once in a generation opportunity to use this commitment to create a truly national rail network that can achieve economies of scale for local suppliers, reduce costs for operators and governments, support locally made rolling stock and local jobs, as well as strengthen opportunities for Australian manufacturing.

Despite rail freight's critical role in the Australian economy, national leadership, coordination and visibility remain fragmented.

The ARA recommends the Australian Government:

- Prioritise the implementation of the recommendations from the Rail Safety National Law (RSNL) review, to ensure that the Office of the National Rail Safety Regulator (ONRSR) has an explicit productivity mandate alongside safety.
- Establish a corridors taskforce to report to the new regulator and Ministers, with a view to publishing a rolling priority list that applies a whole-of-corridor lens and signals where private and state co-investment should flow.
- Establish a single national train-control platform under ARTC's stewardship to deliver pathing and live-run efficiencies at scale and address interface and interoperability challenges.

2. National rail network investment

Industry needs clear, long-term visibility on the future vision for the national rail network, supported by detailed government investment and commitment plans. This would enable rail operators to confidently commit to long-term investments, even amid changing market and policy conditions.

Delivering a more certain and predictable pipeline of annual investment in national rail freight corridors would provide the foundations for improved performance, reliability, and resilience that freight customers expect from modern supply chains. This would significantly advance the opportunity for rail to be capturing a greater share of the national freight task.

Without this certainty, project-based investments and the reliance on access fees for an increasingly complex modernisation and maintenance challenge will mean the environmental, social and safety benefits will not be captured.

The ARA recommends the Australian Government:

- Develop a long-term national rail infrastructure investment plan, with a focus on the National Network for Interoperability (NNI) and connecting rail freight corridors, that identifies and prioritises investment that improves reliability, resilience and performance of rail infrastructure.

3. Enabling practical mode shift

The ARA believes there is an opportunity to utilise existing programs to help deliver practical, productive outcomes that enable greater mode shift onto rail.

For example, the Australian Government's Emissions Reduction Fund was established over a decade ago to support emissions reductions across sectors, however it has been too complex and inaccessible for rail operators to benefit meaningfully. Rail has been required to compete within a broader market where short-term, more commercial projects are prioritised, without recognising rail's unique, long-term sustainability benefits and emissions reduction potential. A re-allocation of existing emission reduction funds could be utilised to help modernise rail fleets and incentivise modal shift by supporting customers with the transition costs that currently act as a major hurdle. Crucially, this would not require additional government funding - just a better targeted use of existing resources.

Further, modal shift principles must be embedded into state and national plans - with practical and tangible actions, rather than statements of intent and consideration of the externality impacts of investment decisions. Without a clear, consistent framework to support freight customers in making the switch to rail, the sector will continue to see public investment flow disproportionately to roads, at the expense of freight rail's ability to leverage its productivity and sustainability benefits.

The ARA recommends the Australian Government:

- Review existing budgeted funding programs to identify opportunities where eligibility could be expanded to enable opportunities for lower-emissions rail fleet modernisation upgrades, as well as support for freight customers to move freight onto rail.

4. Achieving modal competitive neutrality

National retailers, agricultural exporters and Australian manufacturers recognise the value of rail freight to reducing their transport emissions, adding resilience to national supply chains, and improving access to major ports.

Ensuring settings deliver competitive neutrality across transport modes allows freight customers to make choices in the market which reflect the full value proposition of rail freight and support mode shift. Specifically, as fuel-excise revenue falls with heavy-vehicle electrification, consideration must be given to introducing distance-based road-user charges and reviewing rail track-access pricing so both modes pay their full social costs.

The ARA recommends the Australian Government:

- Implement policy reforms that facilitate improved modal competitive neutrality between road and rail, including consideration of introducing distance-based road-user charges and reviewing rail track-access pricing arrangements.

The ARA is encouraged by the Government's commitment to lifting productivity across the sector. We firmly believe there are meaningful and practical changes the Government can make today that will strengthen the future success of the national rail freight industry, support Australia's supply chain, contribute to more liveable cities, and help lower the cost of living for ordinary Australians by reducing the overall cost of goods.

Summary of recommendations

Issue	Actions for Australian Government
1. Rail freight policy and regulatory reform	<ul style="list-style-type: none">• Prioritise the implementation of the recommendations from the Rail Safety National Law (RSNL) review, in particular to ensure that the Office of the National Rail Safety Regulator (ONRSR) has an explicit productivity mandate alongside safety.• Establish a corridors taskforce to report to the new regulator and Ministers, with a view to publishing a rolling priority list that applies a whole-of-corridor lens and signals where private and state co-investment should flow.• Establish a single national train-control platform under ARTC's stewardship to deliver pathing and live-run efficiencies at scale and address interface and interoperability challenges.
2. National rail network investment	<ul style="list-style-type: none">• Develop a long-term national rail infrastructure investment plan, with a focus on the National Network for Interoperability (NNI) and connecting rail freight corridors, that identifies and prioritises investment that improves reliability, resilience and performance of rail infrastructure.
3. Enabling practical mode shift	<ul style="list-style-type: none">• Review existing budgeted funding programs to identify opportunities where eligibility could be expanded to enable opportunities for lower-emissions rail fleet modernisation upgrades, as well as support for freight customers to move freight onto rail.
4. Achieving modal competitive neutrality	<ul style="list-style-type: none">• Implement policy reforms that facilitate improved modal competitive neutrality between road and rail, including consideration of introducing distance-based road-user charges and reviewing rail track-access pricing arrangements



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