

11 November 2022

Assistant Director – Inland Rail Review Secretariat
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
CANBERRA ACT 2601

via email: IR.Review@infrastructure.gov.au

Dear Assistant Director,

As the nation's largest private rail freight company, Pacific National's interests are aligned with the government, which is to ensure there are fundamental and sustainable benefits delivered from Inland Rail.

Each day, the services delivered by Pacific National are relied upon by all Australians. Pacific National's operations support the movement of critical freight supplies around the nation from the far north in Cairns, down through the eastern seaboard economic hubs of Brisbane, Sydney and Melbourne and across to Perth.

As the largest private rail freight operator, every day Australian's rely on us to deliver them essential supplies. We in turn rely on the network and necessary investment in that network to deliver these essential supplies. This is why the commitment to Inland Rail from Melbourne to Brisbane matters. It matters for each and every Australian, every business and the broader economic growth of our economy for the next century.

Inland Rail is the project which will be critical to building a stronger, more resilient and climate-supportive economy. We agree with Prime Minister Albanese when he said in 2019, *"Inland Rail can be a great project for Australia. It's the kind of project that, if delivered properly, will underpin decades of economic prosperity and growth. But we need to get it right."*

Inland Rail is one of the most critical nation building projects of our generation. Its success is directly linked to the long term success of our economy.

Pacific National welcomes the opportunity to provide a submission to this review. For reasons outlined in the submission it is our strong view that maintaining the current scope of the project, which connects Brisbane and Melbourne's freight hubs and achieves the stated project outcomes, will create an efficient and cost-effective freight supply chain which will deliver economic, social, and environmental benefits on a national scale.

For these benefits to be realised, the project must be completed in full, connecting the key freight precincts in Brisbane as the northern intermodal terminal location and Melbourne as the southern intermodal terminal location as originally proposed – not a remote terminal such as Toowoomba in Queensland or Beveridge in Victoria which are a significant distance from high freight density locations.

The COVID-19 pandemic, and devastating floods and bushfires have demonstrated the need to build a resilient national supply chain network, and to have alternatives when the existing coastal rail routes are disrupted. Inland Rail builds capacity and reliability and opens opportunities for new industries and markets that support future economic growth, regional development and local jobs. A change of mode from road to rail is a key element of the nation meeting our climate challenge.

The case for investment in Inland Rail has never been greater. Inland Rail will shape future freight flows, private investment and regional growth, and the benefits will extend into every Australian home and business.

Pacific National welcomes the opportunity to work with you on providing clarity and certainty around the delivery of the nation's critical infrastructure in a way which will deliver long term financial and social benefits for Australia.

Yours Sincerely,



Andrew Thomson
Chief Commercial Officer – Pacific National

Key themes

1 ARTC governance and management arrangements for the delivery of the Inland Rail Program

How could ARTC improve its management arrangements and structures to better facilitate the delivery of the Inland Rail Program?

The private sector, including Pacific National (PN), has made significant investment in the project to date and seeks clarity and a clear direction regarding scope and program following a sustained period of uncertainty. This certainty will ensure that PN will continue to invest in preparation for Inland Rail, ensuring that the benefits are realised at the earliest opportunity.

- Stakeholders across the national freight ecosystem have invested in, and are relying on, the timely completion of Inland Rail to its current scope and service outcomes – from Melbourne to Brisbane.
- PN understands that the current timeline estimates for the project to be fully operational differ significantly from what was originally planned. Ultimately, this has the effect of causing further uncertainty in the market at an already challenging time.
- Investment by PN to date in Inland Rail's supporting infrastructure and strategies has been based on the original scope and timeframe for the project and includes investment of over \$700 million on:
 - Parkes National Logistics Hub
 - Wellcamp in Toowoomba
 - Acacia Ridge intermodal facility, and
 - new rollingstock suitable for double-stacking.
- In addition to the above, PN has a total investment pipeline of up to \$2 billion in further supporting infrastructure, including additional terminal capacity in Melbourne which will take advantage of the longer trains, and reduced Melbourne to Brisbane journey times. This is PN's planned investment with many other stakeholders in the supply chain committed to supporting the project.
- Any amendments to management arrangements or structures that expedite delivery, provide certainty and improve project timeline and related communications to stakeholders for the project are supported.
- Given the significant private and public investment required to fully operationalise Inland Rail it is our view the management and structure of ARTC would benefit from ongoing partnerships with the private sector operators who will be the users of the system. Accordingly, a structure which includes users and investors with aligned objectives will better facilitate the delivery of the project and yield the greatest benefits.
- As ARTC will not be the operator, input from the organisations who will be the operators will be crucial to designing and facilitating the management objectives to garnish the greatest return on investment of public and private funds.

PN recommends that Inland Rail considers:

 - a reference group which includes operators, from project design and inception all the way through to delivery, and
 - a management structure designed with operational outcomes as well as project delivery outcomes. This needs to ensure management is continually aware of contemporary issues impacting rail freight services, as well as the short and long-term impacts on the national economy through the facilitation of rail freight operations.
- Given the overall time and delivery challenges, PN sees value in prioritising the following stages:
 1. Melbourne to Parkes double-stacking will deliver the ability to double-stack to Perth via Parkes
 2. North Star to Brisbane, including Gowrie to Kagaru, as this delivers an alternative route to Brisbane (by avoiding the metropolitan area) and a more robust network on the East Coast of Australia.
- This approach would help to ensure private sector investments made in good faith in the project to date are positioned to deliver their intended benefits.
- For the reasons outlined in this submission, PN is seeking clarity and certainty around timing, scope, operational framework including pathing, access charges and access arrangements.

2. The role of Inland Rail in meeting Australia's growing freight task and providing a Service Offering to meet freight sector needs

How could Inland Rail and access to intermodal terminals create new opportunities and benefits for your region/industry/community?

Inland Rail will transform the national supply chain, not just between Melbourne and Brisbane, but across the interstate rail network, and in doing so, deliver a range of economic, environment and social benefits across the nation, not just now but over generations. For these benefits to be achieved the project must be completed without further delay and adhere to the current scope.

2.1 Pacific National and its customers are anticipating the project will be completed according to the original scope, including it in their emissions reduction and investment strategies, with significant investment already made

- Inland Rail is critical infrastructure in terms of meeting growing demand. Freight demand is expected to double by 2035 and approximately triple by 2050.
- While demand is increasing, further pressure is being placed on the network through natural disaster and disruptive events such as the COVID-19 pandemic.
- Recently the primary north-south and east-west road and rail freight corridors have been cut off by floods. Supply chain vulnerability was demonstrated during the COVID-19 pandemic with the shortage of drivers and state border restrictions impacting the availability of essential products like grains, rice, flour and fresh food on supermarket shelves. This highlights the need for greater network resilience and an alternative route between Melbourne and Brisbane which the Inland Rail project provides.
- On average, services on the coastal rail route are impacted by incidents or scheduled maintenance 1 in every 10 days. In the first half of 2021 the coastal rail route was cut-off for 40 days.
- Inland Rail will serve much more than the Victorian and South-East Queensland markets. It will connect the nation and enable produce and other materials to be moved from Cairns in the far north of Australia across to Perth in the west.
- PN moves close to 900,000 containers each year for over 320 customers nationwide, including all of Australia's major supermarkets and retailers, manufacturers, agricultural providers, and construction businesses. The delivery of the planned Inland Rail project will strengthen and support this supply chain enabling suppliers to service their growing customer and client bases reliably and efficiently. This is especially true when it comes to the movement of food products from the farm to the supermarket shelf where reliability and time are of paramount importance.
- The benefits of Inland Rail are anticipated to support economic growth and resilience by expanding beyond current supply chains into new markets and regions.
- Inland Rail will support services such as, but not limited to, container parks, fuel supply and distribution, service centres, warehousing, distribution, and export inspection services.
- When the above outcomes are combined, Inland Rail is expected to deliver efficient, low-cost supply chains to exporters and local suppliers allowing them to compete in new markets.
- The Inland Rail project has already shown how all levels of government and the private sector can work together to deliver optimal outcomes. This is evident in the investment already made by local and state governments and the private sector in infrastructure to support Inland Rail including:
 - **The Parkes National Logistics Hub and Special Activation Precinct:** The local and state governments and the private sector have substantially invested in Parkes. Opened in 2019, the development will allow for agricultural value adding and open opportunities for recycling and renewables. This will encourage a resurgence in manufacturing and provide a competitive network in terms of transport and logistics by leveraging Inland Rail and Parkes' strategic location at the crossroads of the Nation.
 - **Wellcamp in Toowoomba:** In the heart of the Darling Downs, Wellcamp will support improved productivity and open new markets to one of the most productive agricultural regions in Australia.
 - **Acacia Ridge:** PN continues to invest heavily in the multi-user intermodal facility at Acacia Ridge.

- **Rollingstock:** As one of the primary users of Inland Rail, PN has invested more than \$500 million in fuel efficient locomotives to haul the 1800m long double-stacked trains that the Inland Rail project will enable.
- In addition to the economic benefits, the environmental benefits of Inland Rail are clear and extend throughout the supply chain, with rail freight transport three to four times more carbon efficient than road freight transport as per PN calculations and supported by independent reports. As noted by the Climate Change Authority in Australia, transport emissions make up approximately 18 per cent of Australian greenhouse gas emissions. Of this, rail only accounts for four per cent with most other emissions coming from road vehicles including cars, trucks and buses. Rail's carbon efficiency is expected to increase as new technology is introduced into operations.
- Across the freight supply chain, increasing numbers of stakeholders have carbon emissions targets and strategies that anticipate the completion of the project in its current form and will seek to leverage the emissions reductions associated with the mode shift from road to rail. By way of example, in their 2022 Sustainability Report Woolworths acknowledge that their value chain (scope 3) emissions are 14 times greater than both scope 1 and 2 emissions combined.

2.2 Failure to deliver Inland Rail to its current scope means continued vulnerability of the supply chain, constraints on future growth, limited mode shift and reduced investor confidence

- Due to the nature of the current national supply chain network and population distribution, PN believes there is not currently a viable alternative to the service provided by Inland Rail as originally scoped.
- The existing coastal rail freight route is subject to frequent disruption, lacks resilience and will continue to be impacted through events such as floods or other natural disasters in the foreseeable future, underlining the importance of developing alternative inland routes to build resilience and reliability across the broader freight network in the longer term. Inland Rail will provide the rail industry with an alternative route when there has been significant disruption and will keep freight moving on rail during these events.
- The vulnerability and limited capacity of the existing freight network will not cope with the increased demand for freight movement and uncertainty of climate events over the mid to long term. This is a front of mind consideration given the recent challenges with getting produce to supermarket shelves, ultimately inflating prices for everyday Australians and their families.
- Without an Inland Rail that connects Melbourne to Brisbane future freight growth will continue almost exclusively on the road network.
- Rail's competitiveness against road freight, is dependent on:
 - Proximity to freight markets/zones (the rail head or terminal needs to be less than 30 minutes from the freight market/warehouse to be road-competitive)
 - Service reliability (on-time performance, including integration of mainline and terminal operations)
 - Duration of the supply chain (rail must be time competitive with road)
 - Levels of disruption (how frequently is the network closed, e.g. delays on shared networks)
 - Service density (how many trains or trucks are available on a given route each day, to service warehousing cycles and provide resilience in case of disruption)
 - Pricing, which is in turn linked to cost base, asset productivity, and service quality.
- A reliable rail corridor that can move freight from the Brisbane to Melbourne freight catchments is the only way to induce an economically viable mode shift from the status quo.
- Failure to deliver Inland Rail in its current form effectively limits mode shift options. This means:
 - More and bigger trucks on the road, increasing traffic congestion and requiring ever increasing investment in road asset maintenance
 - An overall increase in emissions which is directly at odds with the government's targets for emissions reductions and climate change
 - Greater exposure to external shocks for example COVID-19 and the shortages of freight drivers
 - Safety considerations with more trucks sharing the roads with passenger vehicles.
- In the context of current inflationary pressures and commodity price shocks e.g., fuel and the global downturn, it is more important than ever to build resilience in the supply chain network.

- Inland Rail has already seen substantial investment by local and state governments and the private sector including PN in supporting regional infrastructure. The impact to these and any future investment in these communities will damage their opportunities to recover and grow.

3. The processes for the selection and refinement of the Inland Rail route and whether these processes are fit-for-purpose, including consideration of benefits and impacts

Do you consider ARTC’s approach to engaging communities on the route is fit-for-purpose? How could ARTC improve its engagement with communities and stakeholders along the route in regard to the processes used to consider benefits and impacts?

Engagement with stakeholders must fully consider the benefits and impacts in the context of the broader freight network and the flow on effects resulting from any modifications to the existing scope.

3.1 Inland Rail’s start and end points must be within 30 minutes of freight catchment and distribution networks in Melbourne and Brisbane

- It is PN’s strong view that Inland Rail must connect into Acacia Ridge in Brisbane as the nearest terminal to the Brisbane freight catchment.
- In Queensland, the primary freight catchment is the southwest of Brisbane encompassing the industrial, logistics and manufacturing hubs of Coopers Plains, Inala, Wacol, Darra, Pallara, Carole Park, Rocklea and Acacia Ridge. This freight catchment is in a growth phase with PN research forecasting a fifty per cent increase in supply chain related economic development in these regions over the next 15 years.
- The link from Gowrie to Kagaru is essential to driving the anticipated economic and sustainability benefit for the project.
- To alter the scope or stop the project short of the Brisbane freight catchment will introduce a new stage into the supply chain. At best this additional stage will add six to eight hours to the journey time, reduce reliability and increase costs with additional handling fees.
- PN analysis suggests that the additional time and cost to ‘double handle’ the freight to and from an end point that is not co-located within (<30mins drive) of the existing Brisbane freight catchment and distribution network will erode the economic benefit that makes Inland Rail attractive to freight owners and freight forwarders (refer Table 1).
- In essence an Inland Rail that stops short of Acacia Ridge in Brisbane or the western freight zone in Melbourne will be inefficient and ineffective and fail to:
 - achieve the required utilisation
 - deliver the desired mode shift from road to rail, and
 - deliver the expected ESG benefits through emission reduction and removing congestion.

Table 1: Comparative journey time for a container from the Melbourne to Brisbane freight catchments

Journey	Road (current)	Rail (current)	Inland Rail (Melbourne Freight Terminal – Acacia Ridge)	Inland Rail (Melbourne Freight Terminal – end point >30min from BNE freight catchment)	Inland Rail (Beveridge – end point >30min from BNE freight catchment)
Travel Time (hrs)	24	37*	28	36	>40

* The current rail transit time has a variability of up to +130hrs due to incidents affecting the network. This impacts the confidence of freight owners and forwarders to choose rail freight due to a lack of reliability.

In Victoria, the primary freight catchment is the Western Freight zone west of Melbourne which services seventy per cent of all Melbourne containerised freight.

- The current Melbourne Freight Terminal (MFT) at Dynon is reaching capacity and is land locked in terms of any future expansion.
- PN has invested and commenced planning for an intermodal facility at Little River (<https://pacificnational.com.au/littleriver/>), immediately adjacent to the western freight zone.
- Little River offers greater benefits compared with the currently planned Beveridge terminal. Little River will increase the mode shift to rail and offer a lower overall supply chain cost, whereas a Beveridge terminal will put more trucks on the road network from Melbourne and along the Inland Rail Corridor.
- PN welcomes further engagement with Inland Rail and the Independent Reviewer regarding this investment and the Melbourne end point for the project.

3.2 Inland Rail should prioritise below rail infrastructure

- PN supports the project to focus on delivering the below rail infrastructure.
- The private sector, supported by State and Local governments have and will continue to invest in key supporting infrastructure including intermodal terminals, freight and logistics hubs and rollingstock to ensure the investment is right sized and right timed to align with and support freight demand and economic growth.
- In terms of future intermodal terminals, PN believes private capital is best placed to deliver new facilities, while governments should focus on helping to enhance network resilience and provide supporting enabling infrastructure (e.g. upgraded rail and road access infrastructure, utilities etc) for terminals.
- The New South Wales Government has adopted this business model to stimulate private investment in critical rail freight infrastructure at Special Activation Precincts (SAPs) across the State.
- Since being involved in the Acacia Ridge multi-user terminal, PN have improved handling performance by twenty per cent to the benefit of freight owners and forwarders.
- A multi-billion-dollar private terminal investment pipeline exists, but vertically separating terminals as well as the network leaves freight train operators highly vulnerable to factors outside their control (e.g. network disruptions and delays, speed restrictions and related safety risks, lack of available train paths etc.). This diminishes private sector confidence to invest in future terminals.

3.3 Inland Rail should be designed and delivered to meet future demand

- PN supports the design and delivery of the most efficient and cost-effective solution. Key outcomes that our customers are anticipating from the project include:
 - The physical infrastructure and signalling to support a road competitive transit time between the Melbourne and Brisbane Freight catchments. Currently the average trip is around 37 hours via rail and 24 hours end to end via road. Due to slow speeds, and the extra distance, this timing is not possible on the existing coastal route.
 - Ninety-eight per cent reliability. Maintenance issues with the existing infrastructure and consequential Temporary Speed Restrictions (TSRs) on the network increase the transit time between origin and destination and leads to reduced reliability and widens the transit time between road and rail. Earlier this year, there were ~63 different TSRs between Albury and Sydney on the current coastal route equating to a delay of ~49 minutes per service, not including the consequential delays and impacts associated with TSRs.
 - The ability for 1800 metre long, double stacked trains with 25 tonne axle loads to travel at 80km/hr and 21 tonne axle loads to travel at 115km/hr over the entire length.
 - PN demand forecasts do not envisage an immediate requirement for 3600 metre trains to support the overland freight task, nor is this practical to plan for given constraints elsewhere in the network and at terminals.

3.4 Inland Rail should prioritise the core project.

- PN fully supports the project being delivered as currently defined from Melbourne to Brisbane.

- While a future connection of Inland Rail from Toowoomba or Brisbane to Gladstone may be considered by Government, PN does not believe there are sufficient benefits of an additional leg to Gladstone. Instead, PN supports a prioritisation of the current project scope to provide a more resilient and reliable supply chain between the east coast primary economic hubs and population centres.

4. The effectiveness of ARTC’s community and stakeholder engagement processes, and opportunities for improvement, including ARTC’s approach to addressing community concerns

What has ARTC done well in engaging with communities, including addressing community concerns? In what ways could ARTC improve its communication and engagement processes with communities and stakeholders? How could ARTC improve its engagement with communities and stakeholders in responding to concerns?

There are opportunities for ARTC to improve communications with industry stakeholders on a range of matters that directly impact the operating environment.

- Inland Rail relies on partnerships between all levels of government and the private sector. In the current environment good communication between ARTC and industry stakeholders is critical in both the short and longer term. From a PN and private sector perspective, this enables the necessary planning to take place at an operational and commercial level.
- To ensure the benefits of Inland Rail are realised from day one, PN would welcome greater engagement on the operational aspects of Inland Rail to inform planning with its customers including:
 - The overall delivery program – to inform investment in associated supporting infrastructure
 - Transition to operations and testing phases
 - Route setting and availability
 - Train control
 - Access regimes.
- The entire freight supply chain needs to be operationally ready for Inland Rail when it is completed. This requires substantial planning and investment by the private sector in partnership with government. To ensure this can occur, certainty for the scope and timeframe for the project is critical.

Conclusion

PN welcomes this Inquiry and supports greater focus on the delivery of Inland Rail. It is key that this leads to certainty of outcomes, to allow stakeholders to plan and invest for the future.

Our rail freight networks need to cater for population and economic growth, be resilient, efficient and fit-for-purpose and facilitate the modal changes required to deliver on our country’s ESG commitment. Inland Rail will be critical to achieving these goals, but only if it:

- Maintains the current scope of the project and connects Brisbane to Melbourne’s freight hubs, with these located within a 30-minute proximity to the key freight markets in these cities.
- Delivers road-competitive transit times and is priced at an acceptable access level for customers.
- Gives operators and customers the service reliability they need with minimal levels of closure or disruption.

As next steps stakeholders need clarity of the route, the cost and the project timeline and we would like to see these provided as soon as possible once this Inquiry is finalised.

We want to ensure that Inland Rail is able to deliver a reliable, efficient and resilient freight network that benefits the economy and community for generations to come. This requires significant public and private sector investment and cooperation with leadership regarding scope and timeframes critical to success.