

NATIONAL FREIGHT AND SUPPLY CHAIN STRATEGY
REVIEW

Qube submission

6 October 2023



ABOUT QUBE

Qube is Australia's largest integrated provider of import and export logistics services, with a market capitalisation of \$5 billion at June 30, 2023. We employ over 9000 people, predominantly in Australia, New Zealand and South East Asia and our purpose is to help our customers, communities, industries and people to Thrive through a relentless focus on our five priorities – Safety, Wellbeing, Planet, Opportunity and Performance.

Our business is comprised of two core divisions: the Operating Division, and Qube's 50 per cent interest in Patrick Terminals, Australia's leading container terminal operator.

The Operating Division comprises two business units: Qube Logistics and Infrastructure and Qube Ports and Bulk.

Qube Logistics and Infrastructure

Qube Logistics (QL) operates services covering road and rail transport, warehousing and distribution, container parks and related services, and international freight forwarding services. Qube Infrastructure includes ownership and operation of key terminals and infrastructure, including:

- Automotive and break-bulk terminals – through Australian Amalgamated Terminals (AAT), Qube provides automotive, general cargo and break-bulk facilities in Brisbane, Port Kembla and Melbourne.
- Grain terminals – through Quattro and Newcastle Agri Terminal, Qube operates multiuser grain storage and handling facilities in New South Wales.
- Rail terminals – the development and operation of import-export (IMEX) rail terminals and metro terminals.

Qube Ports and Bulk

Qube Ports provides port solutions and logistics services with bulk and general handling facilities in over 40 Australian, New Zealander and South East Asian ports. This allows Qube Ports to lead the market in providing purpose-designed solutions for customers handling containers, bulk, automotive and general cargo.

Qube Ports manages 25 sites for the forestry industry in Australia and New Zealand and is also the leading provider of supply chain logistics services to the energy sector, supporting thousands of onshore wells and rig supply vessels, barges and offshore construction vessels annually. Qube Ports also has operations in Singapore and Indonesia.

Qube Bulk provides customers with the full range of bulk material handling services, including road and rail transport, stockpile management and bulk ship loading. Qube Bulk specialises in large-scale bulk export facilities and bulk material supply chains.

Complementing the existing Qube Bulk mine-to-market portfolio is the well-established remote bulk haulage business, Kalari, which Qube acquired in May 2023.

Patrick Terminals

Qube owns a 50 per cent interest in Patrick Terminals with the other 50 per cent owned by Brookfield and its managed funds. Patrick is an established and leading terminal operator, providing container stevedoring services in the Australian market.

Patrick Terminals operates over four kilometres of quay line with 24 cranes and 130 straddles at four strategically located capital city ports around the Australian coastline. The network of terminals is located in the ports of Brisbane, Sydney, Melbourne, and Fremantle.

Introduction

As Australia's largest provider of import and export logistics services, Qube welcomes the opportunity to contribute to this Review of the National Freight and Supply Chain Strategy and congratulates the Federal Government on its willingness to undertake this important exercise in the interests of ensuring efficient, effective and reliable Australian supply chains.

In the wake of the COVID-19 pandemic, and in the context of increasing numbers of natural disasters, continued geopolitical uncertainty, a changing climate and the ever pressing need to decarbonize our economies, this review is both timely and necessary.

As a statement of principle, Qube believes that in order to be most effective, a revised National Freight and Supply Chain Strategy should be built on specific activities and actions and that the strategy should provide guidance and focus for future initiatives over the short, medium and longer term.

As a national strategy, we believe it is important for it to focus on the specific actions the Federal government can or should take, however coordination and accountability for delivery across federal, state and territory jurisdictions will be essential, recognising the interconnectedness and interdependencies that exist within our national supply chains.

As a member of various member and industry associations, Qube has appreciated the opportunity to directly contribute to this Review through a range of other submissions and through consultation forums and workshops, including with the Department and led by Australian Logistics Council. We applaud the Government's commitment to effective stakeholder engagement in this review.

Given our participation through other forums, this submission is not intended to be exhaustive, but rather to indicate some key areas where Qube believes the Review should focus and some of the opportunities for improvements within our sector.

Decarbonisation

Qube agrees with the observations in the Review Discussion Paper that while decarbonisation was not identified as a priority for action in the Inquiry, the updated Strategy and National Action Plan will need to incorporate decarbonisation in its policy framework to ensure the Strategy remains fit for purpose in the current environment.

Climate change and the net zero transformation will affect all aspects of our economy over the coming decades, including freight and logistics, and brings enormous challenges and opportunities for the future of freight.

Qube is committed to taking meaningful action to reduce our greenhouse gas emissions within our own operations. However, our progress, and that of our peers, will be dependent on the emergence of technologies and availability of alternative energy supplies and at commercial pricing. Some of the key challenges with respect to these alternative fuel sources, as well as areas where governments can influence meaningful changes, are outlined below.

Hydrogen Fuel Cells

Hydrogen is still in its infancy and lacks the necessary infrastructure to support largescale production and distribution. There are also limited vehicle configurations and limited availability of hydrogen at a competitive cost.

While these challenges exist, Qube is in discussions with several parties on the potential for conducting hydrogen trials, where it is commercially feasible, noting that hydrogen vehicles are still around two times more expensive than internal combustion engine vehicles and hydrogen fuel costs need to be at around \$2 to \$3 per kilogram for commercial viability. With current subsidies, that range is around \$9 to \$18 per kilogram.

Recommendation: Clear policy, regulation and a trained workforce are required to support the hydrogen transition, together with policy settings that support commerciality.

Electrification

While there has been an increase in the uptake of the electric vehicles in the light passenger vehicle market, there is currently limited availability of vehicles at a commercial price to suit heavy-duty haulage requirements. There is also a lack of high-powered charging infrastructure, clear policy, and incentives to increase the up-take of the heavy duty EV trucks.

Qube makes a number of recommendations with regard to EVs in the submission below.

Biofuels or renewable diesel

Biofuel or renewable diesel could present a benefit in heavy-duty trucks due to the similarities in management, use and handling of the fuel. However, there is limited availability and variety at a cost competitive price. Currently, B100 (pure biodiesel) is on an average two times more expensive than standard diesel, and HV100 (Hydrotreated Vegetable Oil) fuel, which is similar to standard diesel, is currently two and a half times more expensive.

Consideration also need to be given to the compatibility of alternative fuels with existing drive trains. Qube is currently reviewing several options to trial biofuel/ renewable fuels, however this would be subject to commercial viability and collaboration from our Original Equipment Manufacturers (OEMs) and our end customers.

Recommendation: Changes to regulatory settings and government policies will support the development of a biofuel industry in the Australian market over time.

Modal shift

Modal shift from road to rail also presents a significant opportunity to support Australia's decarbonisation efforts. Rail freight produces 16 times less carbon pollution than road freight per tonne kilometre travelled. Moving freight from road to rail would also achieve a number of important community benefits, including reduction in air pollution, reduced congestion and improved road safety outcomes

As noted by the Freight on Rail Group [in its submission](#) to the 2022 consultation on the Safeguard Mechanism: *“Shifting freight from road to rail, wherever possible is a key lever to reduce transport sector emissions. Modal shift in contestable freight markets (road to rail) presents a significant opportunity to decarbonise the freight transport emissions in the near-term and to make a significant contribution to reducing overall transport sector emissions. For instance, at maturity, Inland Rail will serve to remove ~200,000 trucks from the road and save ~750,000tCO₂-e per year. Furthermore, across the contestable freight markets largely comprising long-haul, ‘capital to capital to capital’ haulage routes, a shift from road to rail has the potential to avoid millions of tonnes of CO₂ emissions annually. Millions of tonnes per year would represent a material contribution towards the industrial abatement task across the transport sector under Australia’s Nationally Determined Contributions⁸. Importantly, this would be the net benefit from overall transport sector emissions, recognising that a shift of freight from road to rail necessarily involve an increase in rail industry emissions.”*

However, despite the opportunities modal shift presents, rail's share of Australia's freight task continues to shrink. In NSW, containerised port rail freight consistently falls below the state government's own targets with no real strategy to address this challenge, while in Victoria, the Audit Office was critical of that state's [mode shift incentive scheme for containerised freight](#), noting that it has not increased rail's share of container freight in regional areas. This stands in contrast to the Western Australian government incentive scheme which has delivered significant modal share increases to the Port of Fremantle.

Rail has a critical role to play in meeting Australia's growing freight task and reducing emissions

Qube notes that recent National Freight and Supply Chain annual reports, make clear that there continues to be significant investment in road projects while there is little progress on key rail freight initiatives. It is also clear that the necessary alignment across jurisdictions and modes is missing where intermodal integration is required.

This should be an area of focus for a revised strategy.

In reporting progress, Qube suggests that a feature of a revised strategy could be a requirement for states and territories to demonstrate performance on the delivery of national goals, progress against nominated projects and also report which initiatives have been added and which have been removed from the action list. Projects which have been removed or deferred should be appropriately justified and reported and overseen by the Federal department.

A review of the [2021 annual report highlights](#) misaligned projects, poorly managed initiatives, with the following used as examples:

Inland Rail

While the industry is supportive of the project, its development and delivery are of significant concern, as noted by the recent Independent Schott Review. This now leaves uncertainty for the industry, which undermines private sector investment and is likely to significantly defer future decisions. The Inland Rail project also lacks integration into State rail networks which would deliver significantly greater economic outcomes.

Inland Rail terminals and support road network connections

Lack of certainty on terminal development, terminal locations and mis-alignment between the Commonwealth, Australian Rail Track Corporation (ARTC) and State Governments has also been highlighted in the Independent Review.

Western Sydney Infrastructure Plan

This is a Commonwealth and NSW Government initiative to support the delivery of the Western Sydney Airport and residential development in Western Sydney. The plan includes a series of road projects which are significantly being delivered in isolation from another Infrastructure Australia priority list initiative, the Western Sydney Freight Line, which is planned to be built through the same area.

This lack of integration in planning can significantly affect rail, given greater constraints rail faces to meet baseline curve and gradient requirements.

Furthermore, other Government initiatives are being delivered which also have the potential to undermine the existing rail freight capacity across the networks:

Queensland

The Cross River Rail project is being delivered by the Cross River Rail Delivery Authority, which has continually taken extended possessions of rail lines to the Port of Brisbane. These possessions continue to directly impact the viability of rail freight for extended periods. This occurs despite the State Government's (the CRRDA's owner) stated objective to support the growth of rail freight.

Additionally, the lack of a long term solution to grow capacity for both standard gauge rail freight between the ARTC network at Acacia Ridge and the Port of Brisbane will leave Brisbane with a single interstate rail terminal until Inland Rail is completed, and little scope to grow export rail markets going forward.

New South Wales

The New South Wales Government announced the construction of a new regional passenger rail fleet to be maintained in Dubbo in 2017. The location is remote from the key operating hubs of Sydney and Newcastle and will require increased operations to Dubbo to carry out fleet maintenance.

Despite parts of the Main West line between Dubbo and Sydney being capacity constrained for much of the day, no assessment was undertaken or infrastructure added to support freight needs given the increase in passenger train operations.

In Metropolitan Sydney, the NSW Government has also granted heavy vehicle permits to road freight operators for the movement of A doubles between intermodal terminals and Port Botany. While working against the objective of growing rail mode share, it also creates a significant planning issue with non-rail users sterilising valuable land within rail terminals.

Victoria

The Victorian Government's infrastructure project delivery agencies continue to take prolonged possessions (or occupations) of rail lines to deliver infrastructure projects. This delivery strategy has resulted in regular closedowns of in excess of one month, with some extending beyond two months.

The impact of the closedowns to rail freight customers and operators has been significant with additional costs borne by both parties and industry. It has also seen some customers reduce the use of rail or switch entirely to road, as it is seen as being unreliable due to regular track closures.

The Victorian Government's Melbourne Airport Rail Link Project will also significantly impact rail freight, with the passenger driven project removing broad gauge crossovers used by freight at Sunshine to access the port. This removal has been planned without any industry consultation, or the economic cost being known.

The result is a number of regional freight services will now face increased costs from operating via Ballarat and Geelong to reach Melbourne Ports, increasing freight on the congested Geelong – Melbourne corridor and the likely long-term movement of the contestable, containerised freight tasks to road. This is clearly contrary to the stated Government objective to rail mode share of containers through Melbourne Ports.

National rail reform commenced in the late 1990s, with a key milestone being the formation of a national track access provider, the ARTC. The charter of the ARTC continues to include the provision of "seamless and efficient access to users of the rail network," although in practice, each network still operates largely independently of each other with no common access framework.

Unlikely the National Heavy Vehicle Regulator, rail mainland operators are confronted with at least two rail network access providers in each State, and up to three in Queensland, New South Wales and Victoria. In addition, there are numerous access regulators and many of the regulatory arrangements are outdated, as highlighted in the NSW Independent Pricing and [Regulatory Tribunal report](#), the Australian Competition and Consumer Commission assessment of the [Interstate Access Undertaking arrangements](#) and the Victorian arrangements which have not progressed since being transferred from the [Essential Services Commission in 2018](#).

None of these access frameworks require rail networks to work with any of the adjoining networks on service delivery or standards to provide an optimised, whole-of-network

outcomes. Thus, the opportunity for generating economic growth and contestability between modes from adopting national network perspective is being forgone.

The current, unchallenged, model does not address the in-built conflicting priorities where monopoly access providers operate as a stand-alone business, often as a vertically integrated operator, while also being required to rail freight operators with access. Without any moves to common access framework, networks will continue to be unaccountable for the economic cost incurred and the poor environmental outcomes.

As an example, the Australian Government's ARTC has consistently failed to meet the track condition and on-time performance standards set out in its lease arrangements with the New South Wales and Victorian Governments. Without penalties, there is little financial incentive for ARTC to improve track condition promptly, which has resulted in rail freight operators carrying the commercial, maintenance and reputational cost for late running freight services, resulting some customers moving to road.

This outcome directly impacts the commercial viability of freight owners (often exporters), the viability of rail freight operators, impacts road safety and undermines Government's environmental emission targets. During the same period the Commonwealth Government has funded investment in road network upgrade projects on highways running parallel these rail corridors.

Furthermore, under the current model it is unclear how ARTC is expected to make commercial network investments regarding constructing additional infrastructure to meet network growth. Both rail freight operators and network owners have little ability to manage demand risk, especially where freight owners are not required contribute to or pay capital invested in the national highway network.

Finally, the current industry structure is overly complex and layered in bureaucracy, unlike the National Heavy Vehicle Regulator. In the last 12 months, as a rail freight operator using the rail network in Queensland, New South Wales, Victorian and South Australian, Qube has directly engaged with the following Government agencies and Government-owned organisations:

Office of the National Rail Safety Regulator, Office of Transport Safety Investigator (NSW), Australian Competition and Consumer Commission, Independent Pricing and Regulatory Tribunal, Australian Rail Track Corporation, V/Line, VicTrack, Sydney Trains, Transport for New South Wales, Transport Asset Holding Entity, Queensland Rail, New South Wales Environmental Protection Agency and South Australian Environmental Protection Agency.

Qube also engages with private organisations Metro Trains Melbourne and UGL Regional Linx, as rail infrastructure managers for state-owned rail networks in Victoria and New South Wales, and Pacific National as the contractor for the Port Kembla rail network and Enfield rail yard in New South Wales. This is in addition to the owners of rail freight terminals and sidings across the network.

The model is further complicated by industry's reform agenda largely being driven organisation external to those listed above, namely the state-based transport agencies, the National Transport Commission (NTC), NTC working groups associated with the National

Rail Action Plan and the Rail Industry Safety and Standards Board. Many of the parties within the reform program have vested interests in state-owned passenger operations.

Road infrastructure

Maintaining existing infrastructure in state of good repair and addressing network user safety issues (e.g. the National Black Spot road upgrade program) remain vital to supporting current supply chains productivity. However, these projects have of themselves minimal impact on delivering increased supply chain efficiency (except to the extent they are reversing neglect and deterioration in the current networks which has created inefficiencies, including increased levels of network congestion).

Ensuring a combination of projects is attached to the NFSCS that support maintenance, provision for expansion to meet growth, and the new types of infrastructure to drive productivity improvement through changes to existing processes

Red tape also continues to impact the deployment of heavy electric vehicles in Australia and while Qube is aware this is an area of focus for governments, the need for urgent reform must be acknowledged in a revised Strategy.

Current Australian heavy vehicle regulations prevent operators from using electric trucks developed overseas as they are wider than current Australian standards. Reform in this respect is essential.

Similarly, reform to weight allowances for battery powered heavy vehicles are also necessary to accommodate zero emissions trucks. Under the current system, battery operated vehicles, which are heavier than combustion engine vehicles, are therefore penalised for their heavier power system as the battery weight reduces freight capacity.

A number of foreign jurisdictions (such as the EU) have introduced allowances to accommodate this additional weight and Australia should follow suit.

Electric trucks are also significantly quieter at lower speeds or when stationary when compared to their diesel counterparts and this presents an opportunity for planning restrictions to be reformulated to recognise and exempt lower noise vehicles, rather than the current blanket restriction approach.

Workforce

There is currently no comprehensive national skills and education system to address the industry's current and future workforce demands, nor a fit-for-purpose pathway for people to enter the industry to overcome skills shortages and the ageing male dominated workforce.

Through the NFSCS, there is an opportunity to develop and deliver a program that offers an independent, industry-validated assessment, distinct from the current education and skills sector, and:

- Identify workforce skills and education gaps for vocational and professional roles

- Explore of the factors underlying why Australia's education system is not effectively serving the supply chain industry.
- Examine broad ranging potential solutions, including e.g. skills development, participation and migration, importing specialised training programs.
- Conduct a comprehensive review of funding mechanisms for universities, RTOs and TAFE institutions to align them with the industry's specific needs.

Governance

Qube notes that the NFSCS Discussion Paper asks respondents to consider the role of the Freight Industry Reference Panel in the implementation of the Strategy.

The Freight Industry Reference Panel, set up by Infrastructure, Transport and Infrastructure Ministers under the Strategy, provides industry with a clear line of sight on how the Strategy is implemented by Commonwealth, state and territory governments.

Qube supports the role of the Panel in providing independent feedback and advice on annual progress and in leveraging existing state and industry advisory groups and bodies to elicit more actions from government and industry on an ongoing basis.