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Freight Policy Reform Program Advisory Panel
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SUBMISSION TO THE INDEPENDENT ADVISORY PANEL ON THE NSW FREIGHT POLICY REFORM CONSULTATION PAPER

Infrastructure Partnerships Australia welcomes the opportunity to provide this submission in response to the NSW Freight Policy Reform Consultation Paper.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for the infrastructure sector in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policy makers.

This is an opportune moment to review freight policy in NSW, with population growth, decarbonisation, changing user demands and transformative technologies causing significant disruption to how, why and where goods are moved around the state. This is a good time to explore reforms that will boost efficiency, productivity and ensure the freight system can meet the needs of the state's people, businesses and economy over the coming decades.

The direction of the Consultation Paper, in line with its Guiding Principles, is broadly aligned with Infrastructure Partnerships Australia's policy views on freight and our vocal advocacy on freight issues over many years. As indicated in the Consultation Paper, there is a considerable volume of freight policy work already underway – including the recently released *Review of the National Freight and Supply Chain Strategy* and the Infrastructure and Transport Ministers' Working Groups on Interoperability and Decarbonisation. With this in mind, this submission does not seek to propose new ideas, but rather to draw the Panel's attention to key issues and reforms from Infrastructure Partnerships Australia's perspective, in order to guide the recommendations of this review.

Clear, consistent policy frameworks are essential to facilitating significant, multi-decade investment across freight modes

Efficient freight and supply chain systems drive economic growth, provide domestic and international access to goods, and shape patterns of economic activity in our cities and regions. With NSW facing a long-term trajectory of population growth, more trains, ships, aircraft, and trucks will be required to use our infrastructure networks as freight volumes grow to meet urban and regional demand. In addition, Australia has legislated net



zero emissions targets and begun working in earnest to execute the decarbonisation agenda. A rapidly escalating number of freight and supply chain challenges are brought on by the renewable energy transition, including how construction materials, plant and equipment will efficiently reach our regional Renewable Energy Zones, and the supply of technologies and distribution networks required to enable the use of alternative fuels for road and rail vehicles.

A major hurdle to this transformation is the scale of investment required. However, investor sentiment towards freight assets in Australia is at a low ebb. Infrastructure Partnerships Australia's *Australian Infrastructure Investment Monitor 2023* identifies that investor preference for every traditional transport infrastructure class – including road and rail – were at their lowest levels of interest in the Monitor's history since it began in 2015. The scale of transformation required in freight is a concern for some investors, compounded by a lack of investable opportunities. Despite this hesitancy, investors remain willing to invest in freight infrastructure assets, with 60 per cent of participants expressing an interest in precincts and intermodal facilities, almost half (48 per cent) in ports and marine, and one in five investors maintaining an interest in freight rail assets.

This research highlights the importance of governments getting freight policy right. There is no shortage of interest from investors in providing the finance to accelerate the transformation required in freight infrastructure, but this is hampered by a lack of clarity, confidence and opportunities. We know that freight infrastructure can be highly attractive to institutional investors looking for stable returns. If governments can clarify their freight priorities, establish a vision for the future and work together to implement critical reforms in the next few years, then investors and private sector operators can be partners for many decades to come. These private sector partners are likely to be essential for decarbonisation and technology-driven freight initiatives, where investors and operators can tap into world-leading expertise, experience and capacity to deliver innovative solutions.

It has therefore never been more important for governments to put the right levers in place to guide private and public investment. Priorities must be strategic, supported by evidence, and consistent to deliver the long-term certainty required to underpin key, large-scale capital investment decisions. By unlocking considerable private sector investment, governments can deliver on their freight priorities sooner, bringing forward productivity gains across the whole supply chain, and boosting Australia's global competitiveness.

Capital is a coward and will go where it is treated well. In considering the freight policy reform task at hand, we encourage the Panel to be mindful of this balancing act. Getting the right policy settings in place to attract and retain the capital investment required will not only help meet the current freight task in NSW, but respond adequately to changing freight needs in the coming decades.

The protection of industrial lands and freight corridors is vital to ensuring an operational, efficient freight system

Infrastructure Partnerships Australia welcomes the Consultation Paper's recognition of the necessary demand for industrial land to carry out freight-related activity – and the contradicting pressure on available land for other uses.

The preservation of industrial land is critical not just to the freight supply chain in NSW, but the broader state and national economy. This land plays a vital part in the supply chain and to effectively service a growing population it must be protected from urban encroachment. This includes direct loss of land to other uses, and indirect impacts such as development of residential precincts exposed to ongoing amenity effects.

This is particularly true for port infrastructure in the state. Data from NSW Ports shows that NSW is heavily dependent on imports – 42 per cent of goods in the average Sydney household are imported in a container

through Port Botany. Conversely, exports in the state rely heavily on its freight supply chains to move produce from the regions to their final destination – whether at home or further abroad. Ports service specific trade market needs, and the geographical location of ports are constrained by the fact that they need to be near the coast and be closest to the import/export demand. The servicing of these needs means that land use of and around freight infrastructure must remain protected for the efficiency and effectiveness of existing supply chains and the freight network as a whole.

The importance of getting this right is encapsulated in the challenge of boosting housing supply. Freight and supply chain infrastructure is essential to get housing construction materials to sites across the country. Losing strategic lands required by the freight industry to housing not only adds to cost and inefficiency of supply chains generally, but it also diminishes the capacity of the construction sector to deliver the housing that these lands were freed up for. This is a self-defeating spiral and comes at a significant financial cost to home buyers, as well as a massive economic cost through lost productivity. The good news is that it is entirely avoidable – all it takes is getting planning of strategic lands right and staying the course.

Protecting essential industrial land use is not just confined to land. Preserving serviceable deepwater frontage of ports like Glebe Island is necessary to ensure a functioning, efficient supply chain when goods come in from offshore for domestic consumption. In other circumstances, the protection of air rights over and around freight facilities is essential for the efficient operation of those assets, to enable their future growth, and crucially to maintain their social licence to operate among local communities.

The Review Panel's recommendations should seek to provide a framework for a joined-up approach to long-term planning around freight infrastructure in both greenfield and brownfield settings. Freight strategies alone are not enough to protect lands, air rights, waterways, corridors, fuel supply chains and other essential elements of freight networks from the risks of future encroachment. These needs must flow through to changes in the planning system, as well as alignment with other transport and infrastructure plans, and legislative and regulatory reforms may be necessary to provide adequate long-term certainty.

Australia's freight and supply chains are undergoing a rapid change as the energy transition accelerates

As Australia strives to reach its net zero carbon emissions by 2050 commitment, our increased reliance on solar, wind, and hydro means that energy is generated in increasing quantities in dispersed and remote locations. The construction of large infrastructure outside of major cities poses a significant set of challenges for the Australian freight and supply chain system, with networks not having been designed to transport the quantity of materials, plant and equipment required by these projects to regional areas. Analysis conducted by Infrastructure Partnerships Australia of the Australia New Zealand Infrastructure Pipeline has found that the pipeline of infrastructure in Inner and Outer Regional Australia has grown by 90 per cent since January 2022, with the energy pipeline driving this growth, particularly as a result of the development of Renewable Energy Zones.

The transportation of modern wind turbines is a good example of the challenges for freight infrastructure posed by the energy transition. With blades up to 90 metres long and increasingly large towers, freight operators are having to contend with the challenge of moving this equipment from ports to sites on small regional roads, where bridge underpasses or narrow roads can present physical barriers for over-size vehicles. There is also an issue of artificial constraints such as road access by councils, or the need for police escorts. In areas where passage cannot be secured through existing infrastructure, solutions such as bypasses or other upgrades will be required.

Government agencies have begun to work together to solve these issues, with the Memorandum of Understanding between the Energy Corporation of NSW and Transport for NSW for the delivery of upgrades to the NSW road network a step in the right direction. However, more will need to be done to ensure projects are deliverable, including protecting future freight corridors and industrial land, and developing strategies and timelines for the upgrade of road and rail infrastructure that aligns with the timeline of commissioning of Renewable Energy Zones. There can be no energy transition without adequate transportation infrastructure to support it, and future NSW principles surrounding freight should play a vital role in ensuring that governments are taking the necessary actions to ensure their freight networks remain fit for purpose.

Decarbonisation of the freight network remains complex but reform now can support long-term transformation

Freight decisions are based on two key factors: efficiency and cost. Australia's competitiveness and cost of living depend on goods moving where they are needed as cheaply and efficiently as possible. This means that rapid decarbonisation of freight will only become commercially and economically viable when low- or zero-emission solutions become cost-competitive.

Significant work is underway to deliver the technologies required for a new generation of road, rail, air and sea freight vehicles. Batteries, hydrogen, sustainable fuels and a number of other measures are likely to play a major role in this transition, but it may be years or decades until they are ready for mass deployment. The commercial realities of long-haul freight are tight margins and large overheads. For truck, train and most shipping operators looking to renew their fleet – even those committed to decarbonisation – diesel-powered vehicles and ships remain the only current option for the vast majority of freight applications. Considering freight vehicles and ships are typically owned and maintained for decades to deliver a return on investment, the natural replacement for assets purchased today may be sometime around 2050.

That said, there are steps governments and industry can take to bring these to market as soon as they are cost-competitive, including supporting research and development and installing the infrastructure these technologies will rely on. Many of the frameworks for this are already in place, including funding for research into the use of hydrogen for freight vehicles through the Federal and NSW Governments, among others, and working closely with the CSIRO through its HyResource knowledge hub. Similarly, support for the creation of a Sustainable Aviation Fuel industry in Australia – including considerable funding for a range of initiatives in the 2024-25 Federal Budget – will accelerate change.

Aside from decarbonisation of freight *vehicles*, emissions reductions are also possible through measures to improve the efficiency of freight *networks*. Dominating past policy efforts to improve freight network efficiency has been a focus on shifting freight from roads to rail and sea. These modes are typically much less energy and emissions-intensive on a per-tonne kilometre basis. However, modal shift has been hard to come by. While goods moved by rail have grown exponentially in Australia, this has been driven by growth in bulk commodities. For non-bulk, containerised freight, roads still dominate, carrying four times the tonne-kilometres of rail and sea.

While rail can provide efficiency gains over long distances, many types of typically short-distance freight – including materials and components for construction sites – can only be carried by road due to their start or end point. This phenomenon is not exclusive to Australia. The International Transport Forum found modal share of road freight has increased over the past four decades in 44 out of 51 countries studied.¹ Despite these

¹ International Transport Forum, 2022, *Mode Share in Freight Transport*.

challenges, incremental improvements in the emissions intensity of freight are possible by taking a smarter approach to network planning.

There are plenty of policy levers across short-, medium- and long-term horizons that can be used to accelerate and smooth the pathway to net zero for the freight industry, including:

- Short-term: the use of zero emissions vehicles and the electrification of local freight, and consideration of road network planning to support accelerate the development of this fleet such as the provision of special access to designated low-emissions urban zones or outside of current time limitations
- Medium-term: introducing nationally-consistent – and with regard to ports, internationally-consistent – approaches to decarbonisation to minimise costs on supply chains, as well as introducing NSW strategies for future investment in developing technologies, and
- Long-term: supporting the commercialisation of zero-emissions fuels and technologies, including investing in maturing technologies and ensuring the capacity of the National Electricity Market can support the electrification demand.

Following overwhelming feedback of stakeholders, the Federal Government's May 2024 *Review of the National Freight and Supply Chain Strategy* identified decarbonisation as a major gap in the original plan and recommended the inclusion of a new goal to this end in a refreshed Strategy. Infrastructure Partnerships Australia strongly supports this recommendation, and urges the Federal Government to work with State and Territory Governments, as well as the freight industry, to develop meaningful targets and initiatives to achieve this goal. There is no shortage of policy literature on this topic, so the refreshed Strategy should seek a collaborative, efficient and joined up pathway towards decarbonisation of Australia's freight networks.

There is much we do not know about the future net zero freight industry, including how and when technologies will underpin decarbonisation. However, we know from past experience that this transformation is likely to come slowly, then all at once when technologies reach commercial viability. If we fail to plan appropriately, this change may be highly disruptive and costly. The good news is that we have time to get it right, with policies and reforms that pave the way for an orderly transition to net zero freight. The Review Panel should seek to lay out a framework of prioritised reforms for government to support the decarbonisation of freight, drawing from the work of the Infrastructure and Transport Ministers' Working Group on Decarbonisation where feasible.

Infrastructure Partnerships Australia looks forward to further assisting the NSW Freight Policy Reform Program. If you require additional detail or information please do not hesitate to contact Mollie Matich, Head of Policy and Research, on (02) 9152 6000 or mollie.matich@infrastructure.org.au.

Yours Sincerely,



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