

# Submission to the Standing Committee on Transport and Regional Services

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The City of Latrobe (The City) is delighted to provide this submission to the Inquiry into the Integration of Regional Rail and Road Freight Transport and their Interface with Ports. The City is a prime example of a regional area highly reliant on the rail and road network and the ports for its economic livelihood.

In preparing this submission the City has responded to the key elements of the terms of reference as outlined in Box 1.

#### **BOX 1 INQUIRY TERMS OF REFERENCE**

##### **Inquiry into the integration of regional rail and road freight transport and their interface with ports**

The House of Representatives Standing Committee on Transport and Regional Services is to inquire into:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
  - land transport access to ports;
  - capacity and operation of major ports;
  - movement of bulk export commodities, such as grain and coal;
  - the role of intermodal freight hubs in regional areas;
  - opportunities to achieve greater efficiency in the use of existing infrastructure;
  - and possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

# **1. BACKGROUND**

## **1.1 The City of Latrobe**

The Latrobe region is a resource rich area, with abundant forest and brown coal resources, water resources, and rich agricultural land. The area was initially developed in the 1850's as a gold mining, agricultural and forestry area and was noted for its cattle runs.

The dairy and beef cattle industries to this day contribute significantly to Victoria's agricultural standing. Other major enterprises in the area include the Australian Paper Pulp and Paper Manufacturing Mill at Maryvale, Monash University and the Central Gippsland Institute TAFE, the Australian Securities and Investments Commission's *National Information Processing Centre*, and Victoria's four major power generators. Electricity generated from brown coal mined in the area represents 85% of all electricity generated in the State of Victoria.

The City is made up of four major urban centres: Churchill, Moe/Newborough, Morwell and Traralgon, with smaller townships of Boolarra, Glengarry, Toongabbie, Tyers, Traralgon South, Yallourn North, and Yinnar.

The City and regions have for the last decade seen huge changes in the economic and social structure of their communities. In part these changes were inevitable (rationalisation of dairy production, evolving environmental and planning issues) and, to a large extent, the policies of Governments accelerated restructuring in the name of economic reform. This was undertaken at a pace that resulted in a mixed set of good and bad outcomes at both a social and economic level. Industry particularly the energy sector prospered however income, employment and population volumes suffered. The region has and is taking massive steps to restructure, improve productivity, establish new resource and production industries and enhance accessibility to larger centres. The experiments in reforms during the 1990s were vital for reinvigoration of tired economic and commercial models but were undertaken in a manner that did little to accommodate structural adjustments in employment and broader public policy goals. The models were single policy mantras of economic reform based almost entirely on financial reforms.

The City boasts some very healthy export industries. A large amount of this product is however low value bulk material (logs, woodchips and construction materials). These products demand efficient distribution to remain price competitive. This means that efficient rail and road services to export ports of Melbourne and Geelong and, in the future the Port of Hastings are paramount. Further, these networks will need to be supported by modern well-designed intermodal facilities.

### **1.1.1 Road Infrastructure**

The City's road network is comprised of a number of arterial roads.

The Princes Highway (M1 to Traralgon and A1 east of Traralgon) traverses the City from east to west and acts as the main spine. Heading south from the M1, the Hyland Highway originating in Traralgon and the Strzelecki Highway (B460) originating in Morwell, all service south-east Gippsland.

Road access is good and road transport is highly developed with more than 50 operators in the City and its hinterland. The trend has been to have family freight businesses with town based fleet operations carrying for local industries.

### **1.1.2 Rail Infrastructure**

A broad gauge (5 foot 3 inch /1.6 metre) line runs through the City from Melbourne to Bairnsdale and is used for both passenger and freight trains. The line is formally owned by VicTrack; a Victorian State Government rail track owner. The track is actually leased under a 49 year franchise/lease to Pacific National who have responsibility for the maintenance and upkeep of the line. In return they have operating rights and operate the freight services over the line. VLine Passenger Corporation operates a passenger rail service between Melbourne and the Gippsland region which utilises this rail line. The Victorian Government has invested in upgrading one of the tracks between Melbourne and Traralgon to accommodate the Very Fast Train for passenger services. This upgrading will also assist freight trains insofar as the infrastructure will support heavier axle loadings and speeds for freight trains.

## **1.2 The Freight Transport Task on the Regional Arterial Road and Rail Network**

The freight opportunities in the Latrobe Valley are related to the usual drivers of freight: production and consumption. Production has the double impact of raw materials in and production out. Consumption is largely uni-directional (although reverse cycle logistics such as waste and excess stock is a growing component of demand for freight).

The production opportunities centre around the traditional areas of energy, value adding to brown coal, agricultural production (fertiliser, dairy, meat, vegetables, flowers and olives), forestry (logs, sawn timber, woodchips, and pulp),and construction materials ( sand, gravels and stone). There is also a growing expansion of manufacturing and engineering in the Valley: from high value production of aircraft to heat beads from brown coal. The land, energy, labour and water availability in the region has made the City as an attractive regional settlement and production area.

Although, it is not possible to predict freight flows on a commodity basis without significant research, the recent investigations intimate that the BTRE recent estimates<sup>1</sup> on freight growth on major corridors is likely to be replicated on the Latrobe to Melbourne Corridor.

The City's transport growth has been steady, with road traffic carrying the bulk of the freight into and out of the region. Most recent VicRoads estimate of truck travel on the Princes Freeway is around 2400 trucks per day rising to around 4000 trucks per day by 2020 if rail does not increase its modal share. The essence of this estimate is that some 200,000 tonnes of additional general long distance freight may be anticipated passing through the City over the next fifteen years. Added to this estimate is the fact that the region is currently experiencing a period of significant growth in traffic with expansion of resource industries, timber, paper, quarry products and chemicals, all reporting growth opportunities. The City has estimated that the likely scenario is a growth in bulk materials of over 8 million tonnes per annum and of containerised or break bulk of one million tonnes or approximately 60,000 TEUs per annum.

### **1.1.1**

<sup>1</sup> Bureau of Transport and Resource Economics " Freight between Australian Cities" 1972 to 2001

## 2. POLICIES AND MEASURES TO ACHIEVE GREATER EFFICIENCY

### 2.1.1 The role of intermodal freight hubs

#### *Summary*

*Intermodal freight hubs, where appropriate and where volume demands them provide a number of benefits both to the region they are located in but also to the efficiency of the transport system*

*Current development of appropriate facilities is stymied by a number of factors including competing demands for State Government assistance. Further, the structure of access regimes can often provide negative incentives to rail infrastructure owners to invest in hubs or provide access to third parties.*

From a regional perspective, intermodal freight hubs or terminals can improve the export competitiveness of a region by reducing freight costs to port. They play a central role in the development of integrated logistics solutions and consequently in reducing supply chain costs, both directly through lower freight charges and indirectly through the influence of more sophisticated logistics in lowering inventory costs.

However, the intermodal terminal is often regarded by transport practitioners as the weakest link in the supply chain. This is usually because it is the location where cargo damage is most likely to occur and where lack of planning will expose weaknesses in inter-company communications and scheduling coordination. The intermodal terminal is where the commercial and operational needs of many parties to an individual cargo movement come together. The successful planning, design and operation of an intermodal terminal therefore hinges on providing the right mix of resources with sufficient flexibility to absorb changes in traffic levels and unexpected disruptions to service. Unfortunately, terminal capital and operating costs contain a large proportion of fixed costs related to fixed infrastructure, such as concrete aprons, rail tracks and handling equipment. Adjusting the capacity of a terminal after its construction therefore often involves a significant step-change in costs and disruption to services.

Efficient provision of intermodal terminal capacity therefore requires that the expected throughput at the terminal is carefully considered and that this throughput is matched by the capacity (or planned capacity) of the supporting transport network that feeds it.

We have described the ongoing development of an intermodal freight hub in Morwell in Box 2. This case study highlights some of the issues and impediments faced by proponents of intermodal terminals in the current policy and commercial environments.

#### **BOX 2 CASE STUDY: THE DEVELOPMENT OF AN INTERMODAL FREIGHT TERMINAL IN MORWELL**

In 2002, the Latrobe City Council acquired a site for the strategic purpose of developing an intermodal freight terminal at Morwell to service the Latrobe Valley and Gippsland region, specifically to increase freight volumes into and out of the region by rail.

The 'site' is located three kilometres east of the Morwell town centre and is approximately 70 hectares in area. The vast majority of the site is flat pastureland. The Gippsland Intermodal Freight Terminal (the GIFT) site is located in the northernmost portion of the site, adjacent to the main Gippsland railway. The GIFT site includes the rail siding which is strategically significant for future development of the Morwell Logistics Precinct.

This purchase was made in recognition that there are very few opportunities to construct efficient off line sidings and interchanges between Melbourne and the Latrobe Valley. Abutting development and other constraints effectively limit these to one or two sites. It is one reason why the City has supported the development of the GIFT and this site as a future storage and distribution hub for the region. There are very few if any sites with sufficient length and area adjacent to road and rail between Dandenong and Morwell. The City has in the past worked closely with shippers and developers to locate such sites and have for a variety of reasons failed.

The existing GIFT siding is owned by the Victorian Government and leased by VicTrack to the railway company Pacific National. There exists a condition on the lease that requires the railway operator to demonstrate use and need for the siding for railway purposes in the event that the Government wishes to exercise its option to take the lease back. If this can not be done, the Government can with 12 months notice redeem the property. It is thus in a formal sense outside the primary infrastructure lease that comprises the principal land and operating arrangements for the Victorian Rail system under the sale arrangements with PacNat.

The development of the GIFT has been a major commitment by the City and State Government, although in more recent times the latter has taken a more hands-off approach to the facility. Pacific National who operates the facility has a view that there is insufficient freight to warrant the operation of the terminal. That view may be altered by a mixture of marketing strategies for the site and identifying alternative opportunities for investment returns in the rest of the network.

The negotiations between the stakeholders involved in the operation of the Gippsland Intermodal Freight Terminal (GIFT) facility will be critical to the development of this site and continued dialogue is required to resolve some outstanding issues of contention such the GIFT facility is currently not at an acceptable standard required for its operation and will involve some investment in this infrastructure to reconcile this issue. The primary concerns are the insufficient length of the siding, and appropriate pavements and access to the rail siding for loading/unloading of freight. The Department of Infrastructure is currently preparing contract documentation that would provide for the extension of the existing siding by some 500m, and this has been shown in an indicative way on the concept plans in this report

In the case of newly constructed private sidings, the need to seek permission from the current rail operator as access provider, to connect, signal and use the facility, will require a robust and pragmatic access regime. In recent years, there have been cases where a few metres of rail connection has isolated major rail initiatives and threatened others. Freight owners and those contracted to move that freight, ought not be constrained from accessing a State owned and leased rail network because there is no mechanism for approving new facilities. The proposed extension of the access regime in Victoria is an important reform.

## 2.1.2 Land Transport Access to Ports

### *Summary*

*The City's rail freight transport interface with ports and the rest of Australia is severely impacted as a result of State Government policy on rail access and on choosing to not standardise the rail line. This has significant negative consequences for the movement of bulk and containerised commodities from the region for export. There have been instances where standardising could have been incorporated into State Government decisions however the project was marginalised. The city wishes to note that the State Government's position appears to be anti Gippsland and anti-eastern Victoria.*

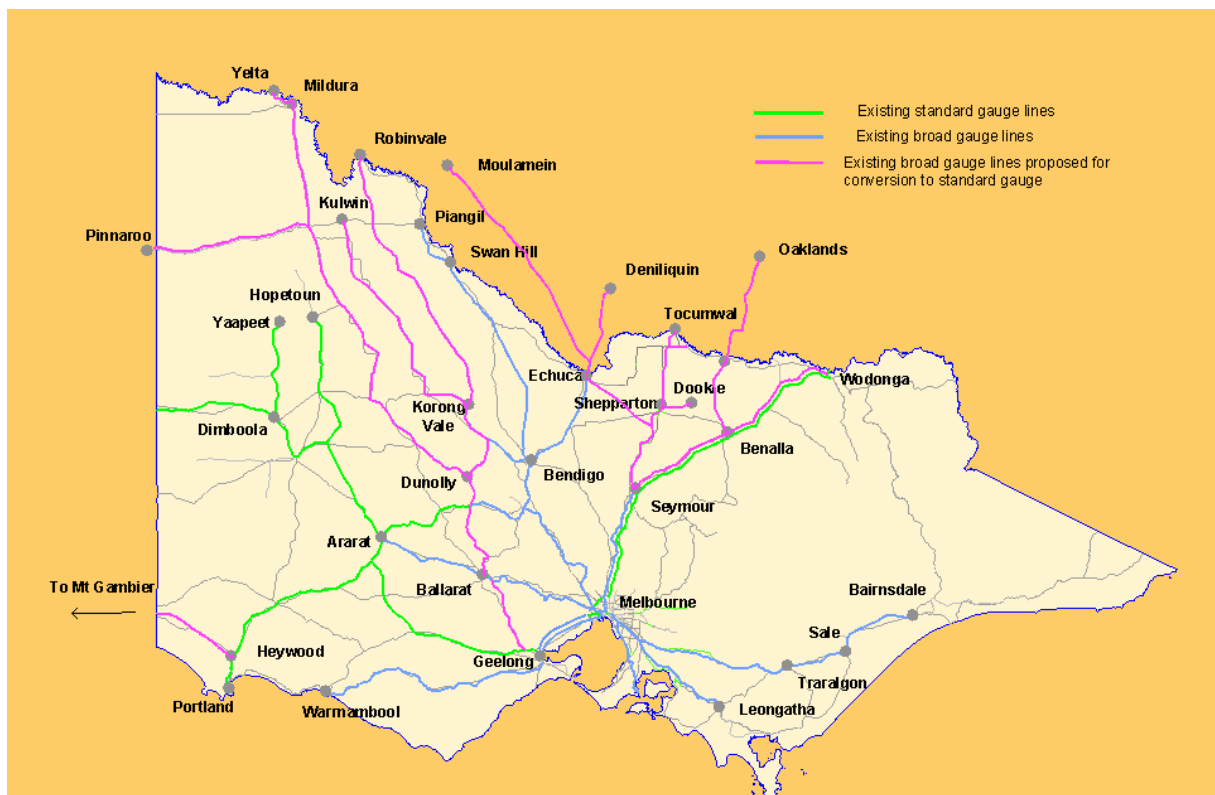
*There have been a number of consequences of related development which has also impinged on the ability of the Bairnsdale-Melbourne rail line's ability to remain competitive. These include the development of Federation square such that double stacking from Eastern Victoria is not viable.*

Rail freight services are critical to the long-term sustainable development of the region. One of the key 'reforms' of the previous Victorian Government was the sale of the Government rail system. The sale, in advance of the development of a sensible access regime and as a separated business of passenger and freight rail, has sparked interface issues with regional passenger rail developments. The result is an access regime that does not work – we note that it is under review.

The rail gauge for the Gippsland lines is broad. This means that connectivity to the interstate and intrastate standard gauge systems is not possible without bogie or cargo exchange arrangements. The Victorian Government has embarked upon a program to increase the proportion of the Victorian rail network that operates on standard gauge, as outlined in the figure below. This means that the future for national and interstate rail traffics is standard gauge. The advocacy of bogey exchange options is at best short termism and at worst the death knell for Gippsland rail traffics beyond Dynon and Geelong. The rail dilemma for Gippsland is in part the classic backhaul problem. As a nett exporter of produce and commodities it is difficult to balance the traffics using rail in Gippsland. The problem is exacerbated if the potential inbound products are bound by standard gauge access.

The line through the City was not prioritised in the Victorian standardisation program. This decision was attributed to many factors. One reason given was that the co-existence of passenger rail services in the corridor that must operate on the suburban broad gauge network, is seen as an impediment to any standardisation of the rail networks in the South East. The extension of standard gauge to Gippsland would require the dual gauging of a line between Pakenham and Dynon, west of Melbourne's CBD. Another salient issue is that the region does not present much freight for rail carriage and any investment would be difficult to justify. The latter argument is in part self-fulfilling – without investment and marketing there will be no freight for rail carriage.





Source: Department of Infrastructure *Freight and Logistics – Rail Gauge Standardisation*  
<http://www.doi.vic.gov.au/DOI/Internet/Freight.nsf/AllDocs/9D34AAC64459BE5BCA256E0500052305>  
 accessed on 2 May 2005.

The long term retention of broad gauge is a significant problem for the City and the competitiveness of its economy. At the completion of the proposed conversion to standard gauge program in Victoria all regional communities in Victoria, apart from Gippsland (and to a lesser extent Warrnambool), will be able to access a standard gauge rail line within a reasonable haul length. The alternatives for the City's freight are either road cartage or transshipment in Melbourne, or developing a bogey exchange facility akin to the steel traffic yard for Westernport traffics. Neither of these is costless compared to a single load to rail and haul.

But the isolation of Gippsland as one of few remaining broad gauge lines has more subtle ramifications. With more intra and inter state freight lines converted to standard gauge, the rolling stock investment priorities for rail companies will be firmly focussed on standard gauge. This will have an expanding and adverse impact on the competitiveness of rail into and out of Gippsland. The other implication is that if Westernport is to be the future container port in Victoria after Melbourne reaches capacity, it will need to be served by standard gauge rail if it is to provide seamless transport services, as expected of modern ports. The opportunity to cater for standard gauge conversion was lost in part when the regional fast rail upgrading project chose not to provide fittings for standard gauge in the new sleepers for the track.

The City's rail freight transport interface with ports and the rest of Australia is severely impacted as a result of State Government's decision not to standardise the rail line. This has significant negative consequences for the movement of bulk and containerised commodities from the region for export. There have been instances where standardising could have been incorporated into State Government decisions however the project was marginalised. The city wishes to note that the State Government's position appears to be anti Gippsland and anti-eastern Victoria.

There has been little consideration by state government of freight impact of passenger transport investment decisions. There have been a number of consequences of related development which has also impinged on the ability of the Bairnsdale-Melbourne rail line's ability to remain competitive. These include the development of Federation square such that double stacking from Eastern Victoria is not available and the decision not to invest in rail gauge standardisation at the time of fast-rail development

There is a new opportunity in avoiding this with the proposed triplification of the Dandenong Caulfield line. We contend that this opportunity should be grasped as a low cost no regrets approach.

### **2.1.3 Movement of bulk export commodities**

#### *Summary*

*The regulatory and infrastructural impediments to rail need to be addressed now to ensure that export bottlenecks do not reach further down the supply chain from the ports*

As outlined in section 1.2, the City is experiencing increased export demand for their bulk commodities, particularly coal, and timber. Further, domestic demand for extractive sands is also beginning to impact on freight movement down the Latrobe-Melbourne Corridor. As outlined above, these bulk commodities specifically require low cost transport solutions to remain price competitive. Rail will ultimately need to play a large role in this task.

Given the likely increased bulk task coming out of Gippsland and other regional areas in Australia, the regulatory and infrastructural impediments to rail need to be addressed now to ensure that export bottlenecks do not reach further down the supply chain from the ports

### **2.1.4 Opportunities to achieve greater efficiencies in the use of existing infrastructure**

#### *Summary*

*The City has recognised many opportunities to optimise utilise existing transport and land infrastructure. These efforts have in many ways been hindered by government policy at the State level and the interaction.*

The City is already pursuing opportunities to improve the use of transport infrastructure in the region. The purchase of the land, including the GIFT site aims to increase the export competitiveness of the region. Further, the rail line to Melbourne can be considered existing infrastructure which with focussed investment could reap significant efficiencies into the long-term.

### **2.1.5 Capacity and Operation of Major Ports**

#### *Summary*

*Effective intermodal facilities provide one strategy to improve capacity and operation of major ports.*

There is no doubt that the capacity and operations of the export ports the City interacts with also impact on the competitiveness of our export goods. We acknowledge, the Victorian Government's stated policy that the Port of Hastings will become Victoria's second container port once the Port of Melbourne's capacity is reached.

Issues of capacity and operation at major ports have been analysed significantly both here and overseas. Many of the major capacity and operational constraints have been alleviated significantly through strategically located hubs such as that proposed at Morwell.

## **3. THE ROLE OF GOVERNMENT AND THE PRIVATE SECTOR**

#### *Summary*

*The handling of the rail gauge and access issues outlined in section 2.1.1 demonstrates the difficulties regional areas can face. On the other hand, the intermodal initiative we describe shows that local government can undertake significant work in the area to improve efficiencies.*

*We conclude that the relationship and connections between all layers of government need to be more aligned. Policy needs to be more forward thinking rather than focussing on the geographical regions already experiencing growth.*

*The Private sector also has an important role as infrastructure owner and transport service provider. Greater alignment between all levels of government and the private sector is required to improve transport infrastructure outcomes*

The role of the three levels of Government and the private sector in providing and maintaining the regional transport network is currently complex and allows for significant inefficiencies.

The combination of scarce land and planning regulations makes the market for large efficient intermodal terminals accessing regulated track networks demonstrably imperfect. The demonstration of this is evidenced in practice by the recent phenomenon of regional and local governments' involvement in the establishment of freight hubs next to rail. A void in the level of efficient regional freight terminals has been left following a fair amount of neglect for general freight rail services in the past.

In more recent times, initiatives at Wodonga, Warrnambool, Shepparton, Morwell and Ballarat have been active in filling that void in Victoria. These initiatives have indicated it is not public sector replacement but rather facilitation that is needed.

Without the coverage of a suitable access regime for these terminals, these initiatives are made more difficult. Indeed we note that a change of lease arrangements post the sale of V/Line Freight has been a key determinant in the level of activity of rail freight at the GIF. Traffics that were on rail are now on road.

The costs of that transfer are met by the State and local government who in turn seek to recover these under separate road-charging mechanisms. In the case of local government these have next to vanished from their regulatory armoury. Thus freight that is lost from rail to local roads systems is usually not recovered by local authorities. This is evident in the areas of large log movements and grain line closures.

The large footprint that PacNat now has in Australia's rail system makes marginal traffics an unattractive position in the context of the firm's responsibilities to provide returns to shareholders. The ability to attract second and third tier operators is limited and certainly difficult if access is challenged by the leaseholder.

#### 4. CONCLUSION

The City appreciates the opportunity to contribute to this important initiative. We see the role of local government to make proactive decisions to improve export competitiveness. Intermodal terminals such as the Intermodal Freight Terminal in Morwell help to achieve this goal whilst also improving the capacity of the export ports.

Many of the issues discussed in this paper could be alleviated with more equitable and more broad State Government Policy which took into account the role of freight transport in transport investment decision making, particularly in the rail sector.

We are happy to expand on any of the issues discussed in this submission. For further information please contact Robert Ashworth, Acting Manager Economic Development ((03) 5128-5460 or [Robertas@latrobe.vic.gov.au](mailto:Robertas@latrobe.vic.gov.au))