

**SUBMISSION TO THE QUEENSLAND COMPETITION
AUTHORITY**

**REVIEW OF QUEENSLAND RAIL DRAFT ACCESS
UNDERTAKING 3**

FEBRUARY 2024

1 Background

Qube Logistics is part of Australia's largest integrated provider of import and export logistics services and operates services covering road and rail transport, warehousing and distribution, container parks and related services, and intermodal logistics hubs including rail terminals and international freight forwarding.

Nationally, Qube holds rail safety accreditation in all mainland states and operates cross-metropolitan, intrastate and interstate rail services in the container and bulk freight markets. Qube rail operations include narrow gauge in North Queensland, standard gauge operations in Queensland, New South Wales, Victoria and South Australia, and broad gauge operations in Victoria.

In addition to key rail freight customers including BlueScope Steel, Qube is the largest import-export (IMEX) rail freight operator in Australia and the operator of the Moorebank intermodal terminal in Sydney. Qube also operates open-access export bulk grain terminals at Port Kembla and the Port of Newcastle.

More information on Qube can be found at www.qube.com.au and www.qube.com.au/logistics.

2 Introduction

Qube notes that this review is being undertaken at the same time as the Australian Competition and Consumer Commission (ACCC) is reviewing the Australian Rail Track Corporation (ARTC) draft Interstate Access Undertaking.

Given the inter-relationship between the two undertakings for rail freight operators seeking to access to the rail freight connection to the Port of Brisbane, Qube recommends that the Queensland Competition Authority work with the ACCC during its assessment of the application.

As noted in section 3 of this submission, alignment of access arrangements and frameworks are priorities for the National Freight and Supply Chain Strategy and the National Rail Plan.

3 Strategic framework

A key concern of Qube is that the current and proposed Queensland Rail access undertakings do not align with Queensland and national freight strategic directions.

At a Commonwealth level, parts of the Queensland Rail network form key strategic links in the National Land Transport Network for Rail¹. These links include narrow and standard gauge connections to the Port of Brisbane, with the standard gauge line forming part of national interstate rail freight network which provides links to all mainland state capitals.

Improvements to the national freight network, including streamlined regulation and improved inter-operability across networks, are identified as key deliverables in the National Freight and Supply Chain Strategy and the National Rail Action Plan.

¹ <https://investment.infrastructure.gov.au/sites/default/files/documents/national-land-transport-network-corridors-rail-brisbane.pdf> accessed 25 January 2024

Significantly, the Queensland Government has committed to implementation of the National Freight and Supply Chain Strategy and is also a signatory to the Memorandum of Cooperation for rail inter-operability. Delivery of these initiatives is a critical component in delivering the economic objectives identified in national competition policy.

Consistent with its commitment to the National Freight and Strategy, with the Queensland Government published a Queensland Freight Strategy.² The strategy notes that:

Left unchecked and without competitive rail freight services, the state's future freight task will continue to be transported by road. Maximising rail freight use along strategic corridors through strategic planning can deliver improved economic, social and environmental benefits. (page 10)

The strategy also establishes Government objectives to:

provide certainty to industry around future rail freight planning that encourages investment and attracts new entrants into the rail freight service market, boosting competition. (page 10)

The Queensland Government's Department of Transport and Main Roads also publishes a Queensland Freight Action Plan, with the most recent available on the web focussed on 2020-2022.³ The action plan establishes an unambiguous vision to:

Enhance rail freight access and performance on metropolitan and regional networks

Queensland Rail Strategic Plan 2021-2025⁴ also clearly states a strategic objective to improve outcomes for rail freight users of the Queensland Rail network:

We grow freight on rail by improving access options and working with our supply chain partners.

In Queensland Rail's Strategic Plan 2023-2027⁵, its commitment to rail freight operators and the customers of the freight operators was amended to:

Our customers are passengers and rail freight operators. We adapt to exceed expectations, now and into the future.

With this framework in mind, Queensland Rail, as a Government-owned corporation, which is responsive to the policy and strategy direction of the Department of Transport and Main Roads is the only organisation which is able to deliver the outcomes identified above.

A commitment to consult with operators to deliver on the reform program set out by the National Transport Commission and the National Rail Action Plan should be a

² <https://www.publications.qld.gov.au/dataset/5ce2fd9d-05a7-4693-8100-6f5a5144f124/resource/ae528968-a698-422c-bdc7-2a38a911de45/download/queensland-freight-strategy.pdf> accessed 25 January 2024

³ <https://www.publications.qld.gov.au/dataset/5ce2fd9d-05a7-4693-8100-6f5a5144f124/resource/92f800f1-c8e5-4eaf-801b-3585e3883aeb/download/queensland-freight-action-plan.pdf> accessed 25 January 2024

⁴ <https://www.queenslandrail.com.au/about%20us/Documents/Queensland%20Rail%20Strategic%20Plan%20FY2021-2025.pdf> accessed 25 January 2024

⁵ <https://www.queenslandrail.com.au/about%20us/Documents/Queensland%20Rail%20Strategic%20Plan%20FY2023-27.pdf> accessed 25 January 2024

minimum requirement of the undertaking. This should address key reform criteria including:

- development of inter-operability solutions for rolling stock, train crew deployment (including rules etc), train paths;
- improved and aligned operational and administrative systems; and
- streamlined rolling stock registration and approval processes.

Without a commitment from Queensland Rail to improve inter-operability outcomes between its network and the adjoining ARTC network into the other mainland states, rail freight operators have little or no incentive to invest in new rolling stock or develop new service offerings for customers to meet these Government objectives.

Expanding the scope of the access undertaking to include Queensland Rail's obligations to industry participants is the most appropriate mechanism to give rail operators confidence that Queensland Rail will support the reform agenda. Without this commitment, rail operators risk investment in stranded assets and higher costs.

4 Draft undertaking

Qube has reviewed the draft undertaking and notes that the proposed document is a largely unchanged from the current undertaking, incorporating some minor updates.

Qube's experience of working with Queensland Rail for access to the dual gauge network under the current undertaking is that the access arrangements in Queensland are:

- not aligned with network access arrangements, systems and frameworks in other states;
- less responsive to the needs of the freight industry, and in turn rail freight access seekers, than others states;
- not integrated with operations on the dual and standard gauge ARTC network which interfaces with Queensland Rail network at Acacia Ridge; and
- impose higher levels of administrative process and procedure upon both Queensland Rail and the rail operator for the same task, comparison with other networks.

Each of these issues acts as a barrier to entry for new operators and limits the ability for the Queensland Government to achieve its stated objective to improve rail freight efficiency and mode shift.

The result of the misalignment is evident in additional operating and administrative costs which undermine the potential economic benefits. A rail freight operator operating across more than one network must:

- deal with multiple network owners regarding a single end-to-end train path, as network owners have developed train path approval processes in isolation (other standard gauge networks have now integrated train path approval processes, minimising the burden on rail operators);
- seek approval from multiple networks to operate the same item of rolling stock;

- work within multiple access agreement and undertaking processes are inconsistent across different rail infrastructure managers and regulatory regimes;
- work with different network operating characteristics which constrain the service offering to customers by restricting train marshalling, loading, locomotives and crewing; and
- operate networks which sit in different time zones, some of which have daylight saving.

In entering into a new undertaking, Queensland Rail should be making commitments to industry and the Queensland Competition Authority to deliver improvements in access arrangements which support delivery of Government objectives to improve inter-operability and integrate into the national rail freight network.

Key initiatives should include:

- stream-lined approval processes for new train services which enable rail freight operators to meet the needs of customers, including short term opportunities on new or existing routes rather the current protracted process set out in the access undertaking;
- stream-lined rolling stock approval processes which reduce the complexity in registering rolling stock across multiple networks (for both narrow and standard gauge access seekers);
- working with the ARTC to integrate services which operate across the network interface at Acacia Ridge;
- a commitment to integrate with operating systems which are used on other networks to reduce the administrative burden on operators and freight customers;
- a commitment to harmonisation of applicable network standards, rules and procedures with other networks nationally;
- developing greater flexibility to accommodate trains from other states which operate to daylight saving time for six months each year to reduce the financial penalty on operators from having to purchase two paths; and
- providing greater flexibility in the network management principles to support the operation of freight services.

5 Rail operators' group

On 1 February 2024, the ACCC issued a determination⁶ to enable the Rail Operators' Group (ROG) to collectively negotiate with rail network owners within the scope of the determination. The original authorisation only applied to NSW Government networks, with the 2024 substitute authorisation including Queensland Rail along with a number of other rail networks.

Given the determination was made one day prior to the closing date for submissions, operators were unable to make a joint submission on this occasion. Qube recommends that the Queensland Competition Authority instruct Queensland Rail to

⁶ <https://www.accc.gov.au/system/files/public-registers/documents/Final%20Determination%20-%20PR%20-%202001.02.24%20-%20AA1000644%20One%20Rail.pdf> accessed 1 February 2024

undertaken consultation with the relevant members of the ROG seeking access on the Queensland Rail network.

6 Conclusion

Qube recommends that the Queensland Competition Authority instruct Queensland Rail to review its current draft undertaking with a view to delivering on National and Queensland objectives stemming from the National Freight and Supply Chain Strategy, National Rail Action and the various state-based strategies.

Without a commitment to these reforms, operators have little confidence of Government or Queensland Rail's commitment to invest in the future of rail freight. Without an undertaking to deliver on meaningful reforms which align with the needs of the rail freight operators and its customer base, Queensland Rail will not be able to meet its Strategic Plan commitments, as identified above:

Our customers are passengers and rail freight operators. We adapt to exceed expectations, now and into the future.

We grow freight on rail by improving access options and working with our supply chain partners.

Queensland Rail needs to work with rail operators, through the Rail Operators' Group, to understanding the opportunities for broader industry improvement from better network management principles and national harmonisation. Without a commitment through the Undertaking, operators have no assurance that Queensland Rail will reduce the barriers to entry, increase competition for freight customers or increase rail mode share.

Industry requires an enforceable regulatory framework for access which supports the development of an integrated, national rail network. Without a commitment by Queensland Rail to integration with the national network, there is little incentive to invest in new rolling stock or develop new service offerings.