

QUBE LOGISTICS (AUST) PTY LTD
ABN 18 123 003 930

4 Bumborah Point Road
Port Botany, NSW, 2036

PO Box 512, Matraville, NSW, 2036

T: +612 9316 3302
F: +612 9316 3317

qube.com.au

20 January, 2017

EPA Air Policy
PO Box A290
Sydney South
NSW 1232

Sent by Email to: Air.Policy@epa.nsw.gov.au

Re: Clean Air for NSW Consultation Paper

Dear Sirs,

Thank you for the opportunity to respond to the aforementioned consultation paper.

Attached is the submission from Qube Logistics which we trust provides a balanced position in relation to State Government proposals.

We would welcome the opportunity to further consult either face to face or more formally should the Authority have further questions about Qube's position.

Looking forward to continued meaningful d3ebate about these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Ross Nacey". The signature is written in a cursive style with a large, stylized initial "R".

Ross Nacey
General Manager - Commercial

INTRODUCTION

Qube Holdings Limited is listed on the ASX S&P 100 with a market capitalization of approximately \$3.5 billion. Its corporate home is located in Sydney however its operations span Australia and New Zealand. Qube focuses on the import and export supply chains as essential Infrastructure owner, developer and operator. The integrated nature of our businesses in this market cover all physical and service requirements for International Trade in the State and Nationally:-

- Container Stevedoring (through joint ownership of Patrick Stevedores)
- General, Automotive and Bulk Stevedoring
- International Freight Forwarding and Customs Clearance
- Wharf Transport by Rail and Road for both containerized and bulk product
- Empty Container Parks for storage and repairs/upgrades of containers
- Warehousing and distribution for imported and exported product
- Resource logistics for bulk commodities including Iron Ore, Grain, Mineral Sands, Concentrates and Forestry product.
- Oil and Gas exploration support logistics
- Owner and Developer of strategic properties to support and enhance the efficiency of the above operations, including the Moorebank Intermodal development that has received much needed support and encouragement from the NSW Government.

Specifically, Qube operates from multiple locations across New South Wales, including Port Botany, Yennora, Minto and Moorebank in Metropolitan Sydney; Port Kembla and Newcastle as well as an increasing number of Intermodal facilities in regional N.S.W designed to take freight off roads and onto rail supporting NSW Government policy. The Moorebank Logistics Park mentioned above, is a 243 hectare site in South Western Sydney located at the junction of the M5 and M7 motorways and on the newly completely dedicated Southern Sydney Freight Line; on completion it will be the largest intermodal logistics centre in Australia handling up to 1.5M TEU annually with 850,000 square meters of warehousing capacity. The development of the planned rail port shuttle link from Moorebank to Port Botany will have the capacity to remove tens of millions of heavy vehicle kilometres travelled (VKTs) annually off Sydney roads, delivering significant environmental and other benefits such as reduced road congestion to communities across Sydney. An economic benefits study by Deloitte commissioned by the Federal Government found the facility would generate 6,800 direct jobs. A further study by PricewaterhouseCoopers Australia (PwC) forecasts the Moorebank Intermodal Terminal Precinct will deliver a total of \$9 billion in economic benefits.

Qube supports the State Government's desire to improve air quality across New South Wales. It is therefore committed to working with the Government to help achieve this goal. However Qube also strongly believes that it is important that actions to improve air quality should:

1. Focus on rigorously determined priority areas that will deliver the maximum immediate benefits to the community at the lowest possible cost.
2. Be proportionate to the demonstrated environmental risks and, therefore, deliver cost effective outcomes for the impacted industry(ies) and the overall community.
3. Have regard to the impact on other relevant areas of Government policy, as well as potential economic and social impacts.

Qube therefore welcomes the opportunity to respond to the Government's "Clean Air for NSW Consultation Paper" and would seek to be actively involved in the planned 2017 Clean Air Summit and the subsequent process whereby the Government will set priority areas and longer term directions for air quality management in New South Wales through to 2027.

IMPROVING AIR QUALITY: IDENTIFICATION OF PRIORITY AREAS

Qube endorses the position in the "Clean Air for NSW" Consultation paper that:

"Actions that will be prioritised under Clean Air for NSW will reflect our understanding that the greatest health benefits will come from actions that achieve sustained reductions in long-term exposure of large populations to air pollution such as fine particles" (page 10).

Clean Air for NSW Consultation Paper

Qube also endorses the approach presented in the consultation paper for determining priority areas, namely:

“The emission and exposure reduction actions identified in this Clean Air for NSW Consultation Paper have been prioritised for further investigation, generally on the basis that they:

- target emission sources that have large impacts on air quality and human health, based on the evidence, and
- have the potential to provide the most cost-effective responses to identified pollution and health issues and deliver the best net gains for the community, based on the findings from economic studies” (page 27).

Qube must therefore strongly challenge the position presented in the consultation paper that emissions from diesel locomotives should be a priority area for action (page 27) and specific references to locomotives in the section of the consultation paper “Minimise Non-Road Diesel Emissions” at page 33, particularly:

“NSW GMR Air Emissions Inventory data shows that approximately 96% of all non-road diesel PM2.5 emissions in the GMR come from industrial non-road vehicles and equipment, locomotives and shipping combined. Additionally, many of these sources (eg, construction activities, rail transport and cruise ships) are located in close proximity to communities” (emphasis added).

These statements are not supported by the EPA’s own data. The latest available EPA air quality data for NSW and the GMR (from 2008) demonstrate that locomotives do not have a material impact on air quality. Analysis of this EPA data shows that:

- Diesel locomotive emissions are not in the top 10 human made sources of emissions in NSW for particulate matter (PM10 & PM2.5).
- Locomotives contribute only 0.2% of total PM10 emissions in the NSW GMR and only 0.6% of PM2.5 emissions.

In addition, major studies undertaken for the Department of Environment and the EPA & Health Department do not list locomotives as a priority area:

- Air Pollution Economics: Health Costs of Air Pollution in the Greater Sydney Metropolitan Region* prepared for the (then) Department of Environment and Conservation, 2005.
- Woolcock Institute of Medical Research, Centre for Air Quality and Health Research and Evaluation (CAR), *Review of the health impacts of emission sources, types and levels of particulate matter air pollution in ambient air in NSW*, produced for the NSW EPA and the NSW Ministry of Health, Environmental Health Branch, December 2015.

Qube therefore strongly submits that addressing emissions from diesel locomotives should not be considered as priority area for action.

THE PRINCIPLE OF PROPORTIONALITY

As noted above, Qube strongly believes that it is also important to consider the principle of proportionality in relation to the impact of actions to reduce emissions from diesel locomotives, as well as the determination of priority areas for initiatives to improve air quality in the State.

As set out above, analysis of EPA data shows that diesel locomotive emissions contribute just 0.2% of total PM10 emissions in the NSW GMR and only 0.6% of PM2.5 emissions. Therefore, if action was taken, for example, to cut emissions from diesel locomotives by 50%, this would result in a reduction in total PM10 emissions in the NSW GMR of approximately 0.1% and a reduction in total PM2.5 emissions of approximately 0.3%. Such action would prove costly to industry and the community generally (as the additional costs would flow through to rail freight customers and, eventually, end consumers) - but for little overall gain.

It is therefore submitted that diesel locomotives have an immaterial impact on air quality in NSW, including the GMR, and that prioritising emissions from locomotives would appear to deliver little benefit to an overall improvement in air quality for the State, whilst imposing significant cost to the industry which would inevitably flow on to other businesses and consumers.

Qube therefore submits that the cost of potential actions in this area would not be proportionate to the potential environmental gains.

Clean Air for NSW Consultation Paper

In this context it is noted that the rail port shuttle business is a low margin business, that competition between rail and rail in the freight sector is intense and that a number of operators have significant flexibility in their businesses to shift freight between rail and road. As a result, the imposition of additional costs on rail freight as a result of new environmental regulatory arrangements targeting emissions from diesel locomotives could result in the shifting of container freight from rail to road - an outcome that would be inconsistent with the Government's overall air quality goals, its Greenhouse Gas Emissions Reduction Policy aspirations and its policy of shifting freight from road to rail (including the doubling of Port Botany container movements performed by rail).

Qube therefore further submits that it would be important for the Government in determining priority areas for proposed actions to improve air quality to take into account other areas of Government policy, particularly the Government's policy on shifting freight from road to rail - which is positive in terms of environmental impacts, social amenity (ie, congestion) and community safety - and its Greenhouse Gas Emissions Reduction policy aspirations.

Qube would therefore particularly wish to highlight the following statement in the *Clean Air for NSW Consultation Paper*:

".....Putting freight on trains is recognised as being good for our economy, good for our environment and good for road users. Each freight train is equivalent to approximately 150 semi-trailers, and transporting freight by rail generates only one third of the greenhouse gases produced by road transport. Enhancing the capacity of the rail freight network through the NSFC Program (ie, the Northern Sydney Freight Corridor) will allow rail to be more competitive with road transport for certain types of freight and cut more than 20,000 heavy vehicle road trips per year within 15 years. It will reduce diesel use by almost 40 million litres and greenhouse gas emissions by more than 100,000 tonnes each year" (page 45).

REGULATION OF RAIL OPERATORS IN NSW

Having not found an opportunity to submit to the EPA previously on the matter of Regulation, Qube seeks to use this opportunity to provide feedback on the proposal discussed with the Freight on Rail Group (FORG) on 29 November 2016.

By way of background, Qube has been a significant contributor to rail groups that have been working collaboratively with NSW EPA on the question of locomotive emissions. Suffice it to say that the comments in this submission would (we content) be supported by those involved from the EPA in relation to diesel emissions from rail locomotives.

Having contributed and identified a way forward that satisfies concerns about diesel emissions, Qube is concerned that regulation is being proposed.

The complaint levels that were in the FORG communications cited as reasons for needing regulation, appear to relate to either coal dust or wheel squeal and yet the comments in the FORG meeting with EPA seemed to indicate that diesel emissions and the metro rail are the proposed targets. Having established conclusively that on a per container basis, rail is a substantially better performer than road for the port to metro task, the approach is at best confusing.

Qube's position is that the need for regulation of rail has not been established.

Taking this position further, Qube is concerned to identify the NSW Government's policy position in relation to freight rail (particularly metro rail) and having established that position to gain assurances from NSW that the policy will be administered unilaterally across its departments.

Qube seeks alignment of NSW Government policy in relation to rail across all departments.

Any proposed regulation will place an additional and costly administrative burden on rail operators that in a business that is competing with the road alternative can ill afford additional overheads. It should be stated here that road operators do not carry the weight of compliance that rail operators do. In the case of EPA compliance around road vehicles any and all regulation is borne by vehicle manufacturers.

The argument that was tabled by the EPA in the FORG meeting that NSW is only asking rail operators to do what they already do begs the question about the need for costly duplication of effort. Qube would content that NSW EPA has opportunities through organisations such as RISSB and the Office of National Rail Safety Regulation to achieve its objectives; without requiring rail operators to incur additional resources costs.

Qube's position is that there are other avenues (e.g. ONRSR and RISSB) that it can use to achieve its objectives.

CONCLUSION

The latest available data from the EPA demonstrates that particulate emissions from diesel locomotives have a negligible impact on air quality in the State and that even dramatic action to reduce emissions by, say, 50% would deliver minimal benefits. Additionally the costs involved in such action would be high and, therefore, would not be proportionate to the environmental risks involved - and, in fact, could result in outcomes that would be inconsistent with other Government policy objectives (particularly the Government's policy of shifting freight from road to rail).

As a result, Qube submits that the Government should determine that emissions from diesel locomotives should not be classified as a priority area for improving air quality in NSW and that it should direct the EPA to respond accordingly.

Qube further submits that the need for regulation of rail has not been established and that other avenues exist for the EPA to achieve its objectives.