

TASMANIAN STATE GOVERNMENT SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO PROGRESS IN RAIL REFORM

Background

In 1997, the sale of Australian National Rail by the Commonwealth Government resulted in the selling of Tasrail, the only freight rail company in Tasmania, to the private sector. Unlike elsewhere in Australia, the sale of Tasrail proceeded on the basis that the rolling stock and track infrastructure would be sold as a package. Ownership of the land over which Tasrail operates is mostly vested in the Crown with Tasrail having a fifty year lease.

Industry Structure and Competition

Tasrail's main competitor is road transport. In the past, the relationship between road, sea and rail transport has facilitated intermodal linkages. However it would appear that the sale of Tasrail has not only diversified but also encouraged greater competition between land transport modes in Tasmania. For example, the Tasmanian Government is aware that Tasrail is seeking out possible markets for commodities such as minerals, logs, wood products and paper. In the past, road networks have had the primary responsibility for the transportation of such products.

Corporatisation and Commercialisation

Given that Tasrail is now a private company, the Tasmanian Government has no direct input into Tasrail's decision making process. Hence it is unable to comment on the nature and extent of corporatisation models and governance arrangements within the company. However, as Tasrail does not have ownership of the land over which it operates, there is an imperative for it to run a profitable railway as it is unable to increase returns by entering into land arrangements or by selling off land assets.

Community Service Obligations

Tasrail operates in a fully commercial manner and does not provide any CSOs.

Access Regimes and Regulations

Access regimes

A rail specific access regime does not exist in Tasmania. As an owner of rail track infrastructure, Tasrail is required under the *Trade Practices Act 1974* to enter into negotiations with other operators wishing to use their infrastructure. To date, access arrangements between Tasrail and a number of State operators have been negotiated successfully and on terms agreeable to

both parties. Anecdotal evidence from tourist and heritage rail suggests that set costs and conditions of access have been established since the company's privatisation.

Safety regulations

All State rail operators and owners in Tasmania are to be subject to the *Rail Safety Act 1997*, which will regulate safety through an accreditation mechanism. The Act has been passed by both Houses of Parliament and is expected to be proclaimed this year. Anecdotal evidence suggests that Tasmanian rail operators and owners are supportive of this approach to rail safety, which will be consistent with the national approach.

Public and private sector ownership and investment

Ownership

There has been competition in some areas between road and rail since Tasrail's privatisation, as discussed previously. However, the benefits of increased competitive neutrality between land transport modes have also been recognised. These are discussed below.

Investment

Opportunities may exist for increased investment in rail infrastructure due to the privatisation of Tasrail. Strategic investment in rail infrastructure has the opportunity to extend the effective life of road assets and reduce road maintenance outputs. An example of this is seen in south west Tasmania, where the establishment of rail links would greatly decrease the damage to roads currently created by heavy vehicles in this region. Although such benefits cannot be quantified at this stage, investigations are being undertaken to assess the possible impacts. The Tasmanian Government is still considering these opportunities.

Competitive neutrality

Networking

The Division of Transport, within the Department of Infrastructure, Energy and Resources, and the new Tasrail are working together for the first time to combine the efficiencies of road and rail transport. By combining road access with Tasrail's infrastructure, intermodal transfers of products are possible, allowing a reduction of costs as well as a united network throughout the State. This process increases profit to rail owners, while decreasing the costs incurred by the Tasmanian Government.

Fuel excises

Private sector owners have expressed concern to the Division of Transport in relation to fuel excises on the rail sector. Their assertion is that because such taxes are used to fund road infrastructure, they place the rail sector at a competitive disadvantage relative to road transport. It has been suggested that a diesel fuel rebate be applied to Tasrail in a similar manner as benefits road transporters, and that this should be considered in any national enquiry. Until these issues are clarified, analysis of competitive neutrality issues between road and rail will be difficult to address.

Inter-governmental issues

Tasrail is responsible for both intrastate and interstate freight. However, there is concern that it is currently recognised only for its intrastate services. Tasmania is an island State, and hence has no direct connection with any other State railways. However, Tasrail does undertake an important interstate transport function by conveying goods to and from State ports. In particular, the Burnie to Hobart link plays a vital interstate role, conveying shipped mainland goods to the south of the State. As such, Tasrail should be considered 'interstate' in conjunction with freight equalisation and national highway programs.

Performance of the Australian Industry

As a private company, and under ABS privacy rules, Tasrail is not required to publicise the performance of its operations. Anecdotal evidence suggests, however, that it is undertaking an increased proportion of the State's transport task and hence improving its profitability.

Adjustment issue

The Commonwealth Rail Reform Transition Program considerably offset the negative impacts of the sale of Tasrail. This program provided funding for a diverse range of employment initiatives in both the rail and non-rail sectors. Most organisations involved have used the funding to expand their operations, allowing them to better serve existing markets or assist them to develop new ones.