

The Productivity Commission: Inquiry into Reform in the Australian Rail Industry

A submission on behalf of Friends of the Northern Railway Inc,

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Friends of the Northern Railway (FONR) represents rail users on the Northern Tablelands of NSW. Its original raison d'être was to ensure the resumption of passenger rail services from Sydney to Armidale and Moree. Currently this service is provided by Xplorer trains. The organisation also has a brief to promote increased rail freight haulage to and from the region. The region is not a major player in terms of its potential for rail freight haulage, but there are some good opportunities which could be pursued.

The main part of this submission will deal with the Countrylink operation and the community service obligation. Some remarks about rail freight and the general rail picture will be made by way of conclusion.

1. Countrylink and cost recovery

Despite high rates of seat utilisation, the Countrylink service had cost recovery of 34 per cent in 1995-96. It should be noted that this compared with the cost recovery factor for long distance buses, when the costs associated with the upkeep of road pavements are taken into account. Not included in the cost recovery equation are external benefits and costs. Rail is a more energy efficient and less accident prone means of moving passengers than is road travel, whether by bus or car. Of course the car uniquely embodies freedom in lifestyle, but support for a good level of provision of rail passenger service is clearly needed.

2. Countrylink and the community service obligation

The difference between revenues and costs of the Countrylink operation is largely made up by government payments associated with various forms of concessional travel (pensioners, students etc). These payments are not included in Countrylink revenues for the purposes of calculating a cost recovery factor. They are therefore seen as representing a subsidy to the rail operation. This is inappropriate. If there are social equity reasons for providing subsidies to various categories of rail user, the rail operation can do no more than provide the rail service, as it would if a full fare were paid. The rail operator (in this case Countrylink) should therefore be allocated the full fare for the service it provides and its revenues adjusted accordingly. The taxpayer commitment to income redistribution is something determined in another arena.

Once a decision on income redistribution has been made, it may be thought better to make a cash payment rather than to subsidise travel. If a decision is made to subsidise travel, funds may be made available in such a way that rail has to compete with other travel options (the funder-provider model). That these arrangements do not yet exist does not justify the cost recovery calculation for Countrylink as it stands at present.

Under any funder-provider model, it would be highly desirable for Countrylink to participate as effectively as possible. A good travel centre network, a sensible fare structure, and proper attention to rollingstock and customer service would all be part of this. Countrylink currently gets good seat utilisation, and this represents a solid basis for effective engagement in any emerging funder-provider scenario.

3. Rail freight and the general rail picture

The cost recovery equation improves for rail freight as against haulage by road. Once again, there are external costs and benefits to be taken into account. These unquestionably improve the case for use of rail. The Northern Tablelands is not an intensive freight region, but opportunities exist, for instance, to rail freight superphosphate into the region and timber and wool out. The economies which further use of rail would achieve in the Northern Tablelands region are available to be achieved in even greater measure in other regions.

The rail network is basic infrastructure and its operation has many linkages to economic and social life. It is therefore important that the industry be efficient. Efficiency, as has been suggested however, has broader dimensions than operational revenues and costs. It can be a source of market failure not to take externalities into account. Australia deserves a well considered plan for rail at this stage in its transport history. Rail freight is undoubtedly the major arena where there will be gains from refurbishment, but we also look for a commitment to sustain country passenger services.