

19 May 1999

Progress in Rail Reform Inquiry
Productivity Commission
Locked Bag 2
Collins Street East PO
Melbourne VIC 8003

Dear Sir/Madam

PROGRESS IN RAIL REFORM

Tourism Council Australia (TCA) is pleased to be able to provide comment on the Productivity Commission's draft report on Progress in Rail Reform.

Background

Rail reform is a key component of improving our overall transport system. The creation of a reliable, competitive and efficient and customer-focused transport sector, managed by both the public and private sector is a vision that TCA shares.

Historically State Governments have been responsible for constructing and maintaining rail infrastructure. In contrast to the 'national' roads system developed since the 1970s investment in rail infrastructure has been dominated by State, rather than national priorities.

As a result, it has been necessary to patch together a 'national rail network' - much of it from bits of the State systems, inadequate for the needs of its users especially tourists who are not constrained by State boundaries.

Recent efforts to address this issue have become more organised with Australian Transport Ministers reaching agreement at the Rail Summit held on 10 September 1997 to reform and improve interstate rail transport.

The Agreement removes state borders as an impediment to efficient national rail operations by:

- > Designating for the first time, a national rail highway linking our capital cities and their ports;
- > Developing an investment strategy for this rail highway;
- > Establishing a national system for access by all operators, including private firms, to the entire network; and
- > Implementing consistent operating rules on that network.

TCA acknowledges that attempts have been made to implement this Agreement and supports a push ahead towards further reform through the establishment of a national safety regulator covering all rail systems, with responsibility for the development and enforcement of national regulation (CASA model).

Government Investment

The Renaissance in Rail is set continue with a range of initiatives announced in the 1999-2000 Federal Budget which aim to work towards reform through targeted investment in the mainline rail system.

Private sector bids to build and operate the Alice Springs - Darwin railway are being assessed. The Government has offered \$100 million from the Centenary of Federation Fund as seed money for this project, which has the potential for opening new export markets to Asia for food goods produced in rural Australia.

The Government is also working with private consortia in exploring options for a Melbourne-Darwin freight railway through the eastern States and has announced the preferred tenderer for the Sydney-Canberra Very Fast Train.

The Government has also allocated \$9.3 million towards its \$20.5 million commitment through the Centenary of Federation Fund, to restoring the Abt Railway on Tasmania's West Coast as a world class tourist attraction. An additional \$5 million is being spent improving railways in Tasmania, including restoring the Derwent Valley line.

Intermodal Competitive Neutrality

Whilst acknowledging Government investment as an integral part of a Renaissance in Rail, private sector development in rail will only occur when competition policy is implemented for all modes, establishing intermodal competitive neutrality.

In 1994, The National Transport Planning Taskforce's recommendation #2 stated:

"That road, rail, port and airport infrastructure investments and their funding arrangements should be considered within a framework that allows intermodal network and corridor considerations to be evaluated transparently".

Increasing the commercial focus of railways is the key to further productivity gains and to facilitating the investment required to consolidate rail's position in the Australian transport market.

The tourism industry believes distortions that impede the competitiveness of rail and undermine transport efficiency should be removed. The Government must play a leadership role in this area and apply similar evaluation criteria to road and rail investment projects and these should include economic, financial, social and environmental considerations.

To this end TCA supports the draft report's recommendation for the Government to establish an inquiry to address the current institutional arrangements for road provision including planning, funding, investment and road charging.

Access Regulation

Various rail access arrangements are in place around Australia. Some argue that access regulation and vertical separation increase effectiveness by removing the conflict of interest an integrated railway has over allowing competitors access to its track, however these types of reforms do not necessarily address problems of inadequate investment in track and associated infrastructure.

TCA agrees with the draft report in that the benefits of separation need to be balanced against the costs, which can include a loss of economies of scope and greater coordination costs. TCA also agrees that no single structure or access regime is appropriate for all networks.

Individual jurisdictions need to introduce greater commercial discipline through appropriate ownership and structural arrangements, tailored to each broad class of railway (interstate, low volume regional and high volume regional freight networks; and urban passenger networks).

With this in mind TCA supports the draft report's recommendation for Governments to consider the scope for, and assess the potential benefits and costs of, further private sector involvement (through contracting out, BOOT-type arrangements, franchising or privatisation) as an integral part of their approach to rail reform. The pricing and allocation of train schedules should also reflect the value that users place on the track.

Conclusion

Whilst much reform has been achieved there is still a long way to go. Reports such as the Productivity Commission's draft report on Progress in Rail Reform display a genuine commitment in moving towards a nationally competitive track access scheme.

The experience with recent rail privatisations in Australia is encouraging and supports privatising rail services operating in competitive markets.

TCA believes that private sector involvement will increase competition, and lower the cost of transport to industry, in addition to providing better customer service and offer the best guarantee of long-term employment in the rail sector.

However impediments still remain and it is the role of the Commonwealth Government to take a leadership role in streamlining regulatory arrangements relating to safety and access; and ensuring competitive neutrality between rail and other transport modes.

Thank you for the opportunity to comment on the draft report on Progress in Rail Reform and we look forward to the outcomes of the hearing process.

If you have any further queries please contact me on (02) 9358 6055.

Yours sincerely

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