



Local Government and Shires Associations of NSW

Submission to
Productivity Commission

Inquiry into
'PROGRESS IN RAIL REFORM'

October 1998

Introduction

The Local Government and Shires Associations of NSW represent all 177 general purpose councils in NSW. Local Government has a strong interest in the future of rail networks - urban, intrastate and interstate.

Local Government is acutely aware of the of the importance of rail transport in urban areas. It provides an efficient and environmentally friendly mode of mass transit. While many would argue that the subsidised systems are a drain on the public purse, it has been clearly established that when taking proper account of the externalities, urban rail more than justifies itself.

Intrastate and interstate passenger services are also vital. These services provide important passenger transport links for rural and regional centres, particularly for the aged, disabled, youth and those with limited means. These links are becoming more critical with the ongoing rationalisation and centralisation of services forcing people to travel greater distances. The closure of a number of branch lines and service cuts are a major concern to many councils in regional Australia.

Intrastate and interstate also critical freight links that are important in maintaining and developing our regions. Regional development is a matter of utmost concern to rural councils.

Apart from a broader interest in the provision of transport services to support the wellbeing of the community, Local Government also has a direct interest in rail transport through its role in provision and maintenance of supporting infrastructure. This includes internodal facilities, car parking and most importantly, roads.

The Associations' believe there is a need to encourage a shift in heavy long distance freight transport from road to rail. The growth in road transport is adding to the cost of road construction and maintenance. In addition, while the road transport industry may argue that it pays its way through fuel excise and registration charges, these revenues are only partially returned to the infrastructure providers.

The Associations support an integrated approach to the provision of road and rail infrastructure that takes account of the total costs to the community, including social as well as economic considerations.

Recent developments in improving the competitiveness of the rail sector would be enhanced by an integrated national strategy for road and rail. The two modes should not be viewed as separate and competing forms of transport but complementary in delivering transport services for industry and regional communities. This should be a major objective of the reform process.

The National Road Transport Commission (NRTC) has provided strong impetus for the development of the road transport industry. There is also a need for the rail industry to be better supported at the national level. This could be achieved through empowerment of a separate body, it more integrated approach may be achieved by broadening the scope of the NRTC so that its focus is on transport, not roads transport.

The Associations views on the rail industry were well reflected in the submission made by the Australian Local Government Association (ALGA) to the parliamentary Inquiry Into The Role of the National Rail Transport Network in 1997. The views are summarised below.

General Comments

Rail transport has been a significant factor in the development of Australia, however in recent years, its market share has eroded as road transport has increased its competitiveness. While rail has traditionally held an advantage of bulk commodities such as coal and wheat, even this has been eroded by the closure of branch lines, improved roads, increased mass limits for trucks and new road transport technology. These developments are enabling road transport to offer lower freight rates, faster transit times and increased carrying capacity (in terms of both mass and dimensions). Road transport's ability to provide a 'door to door' service and respond to specific service schedules provides a competitive advantage in the movement general freight.

Road transport has also benefited significantly from nearly \$6 billion of investment in road infrastructure each year, whereas investment in rail has been minimal. The State Road Authorities collectively increased the mass limits of heavy vehicles in all States and Territories, firstly in the mid 1970s and then again in the mid 1980s. A further increase in mass limits is currently under consideration. This national focus on the road transport and relative neglect of rail transport over the last thirty years has reinforced the importance that road has played in the transport industry.

Despite the ascendancy of road transport there has been a resurgence of interest in rail transport for both passenger and freight movements. This is evidenced by:

- Commonwealth support for the Alice Springs to Darwin railway,
- consideration of the inland rail proposal between Melbourne, Brisbane (and in the long term to Darwin)
- the new light rail system in inner Sydney and proposals for its extension
- the new passenger rail link between the CBD and Sydney airport which is nearing completion
- the Very Fast Train (VFT) proposals
- the proposal for a new heavy rail link between Parramatta and Chatswood in Sydney
- the new rail link to the Sydney Olympic site.

The task for governments is to ensure that these developments in rail investment and operational efficiency are complementary to the well established and efficient road transport sector.

Implications for Infrastructure Owners

The success of the road transport industry has not been without its costs for the infrastructure owners, including Local Government. The primary issue is the impact that the increases in mass limits over the last twenty five years has had on the costs of building and maintaining the road network.

The concern for Local Government is how do we establish the upper limits to road transport movements in terms of infrastructure costs, road safety and environmental impacts. These concerns are shared by the NRTC and State Road Authorities, but not as strongly as by councils in regional Australia.

Therefore, the Associations advocate a national approach to establishing a balance between road and rail transport infrastructure and operation. This would require an evaluation of investment proposals which took account of the wider economic and social impacts on the community.

It is important to focus on the total community cost, which encompasses reduced transport costs from an efficient transport sector and the costs to maintain and develop their transport infrastructure. There also needs to be consideration of other 'difficult to quantify' issues such as access equity, regional development and rural community sustainability.

Agency to Achieve National Rail Outcomes

There is no doubt that the National Road Transport Commission (NRTC) has been successful in furthering the interests of the road transport industry through national uniformity. Their charter is to deliver increased road transport efficiency which they are achieving by acting as the mediator between the industry and the transport regulators and infrastructure providers. The rail transport industry needs the support of such an agency.

In the absence of such an agency, the NRTC could be empowered to establish the regulatory framework needed for a level playing field between road and rail transport. This could be considered a logical development considering that the larger road transport operators are now starting to diversify into rail operations as competition is introduced into the rail sector.

Strategic Planning

The Associations are of the view that there needs to be a strategic approach to transport infrastructure investment. This is highlighted by the fact that there is not a consistent approach across the country to investment evaluation.

The ability of the rail transport sector to be competitive has been constrained in recent times by lack of investment. This has been compounded by the need for 'lumpy' as opposed to incremental investment in order to achieve significant productivity gains.

Rail infrastructure is unlike road in that there are a limited number of tracks and the network cannot be built up incrementally. Further, networks developed to meet the needs of one hundred years ago cannot be expected to meet to-days needs let alone that of the future. The long life of rail infrastructure also impacts on investment appraisal.

The task should not be left entirely to the market place as it is so difficult to establish a level playing field. Nor should it be left entirely to the private sector to fund rail infrastructure any more than it does for roads. Rather, what is needed is for governments to establish a integrated approach to transport planning that ensures investments are economically justified, socially acceptable and environmentally responsible.

A strategic plan should identify and nurture the relationships between road and rail investment. For instance, if it is in the community interest to close a branch rail line, what are the implications for road funding and management? Monitoring the implementation of the plan would also have to be established to ensure the integrity of the planning process.

Community Service Obligations

The community service obligations (CSOs) of rail services are explicitly recognised by State and Commonwealth rail authorities. The community service obligations have a number of bases:

- to provide a transport service for disadvantaged groups such as the elderly, handicapped and low income earners

- to cover the provision of essential but non-economic services such as late night or early morning train services to meet the safety and access commitments of government
- the obligation to offset the negative effects of private road transport in terms of congestion, the environment, health and safety
- to ensure the affordability of public transport to achieve general equity goals
- the obligation to provide infrastructure to support rural and regional communities, recognising the role of rail transport in providing passenger services and in supporting economic activity through freight services.

Conclusion

Deregulation and reform of the rail industry is encouraging greater private sector involvement in rail transport. This is creating a more competitive environment for the transport industry and for the financing of road and rail infrastructure.

A number of recent rail initiatives, including the Alice Springs to Darwin, Melbourne to Brisbane (with an extension further north to Darwin with links to Gladstone and Townsville ports), the Very Fast Train (VFT) proposals would be funded mostly by the private sector. The private sector currently already has significant interests in the two most recent new railways in Sydney (the new light rail system in the inner city and the new airport link).

Rail is a long term investment and investors need confidence in the regulatory environment. This needs to be transparent and stable and based on an agreed future for both road and rail transport. This requires certainty about State and Commonwealth Government commitment to rail infrastructure.

The increased involvement of the private sector in rail transport is not at issue providing that community service obligations are explicitly recognised and maintained. Private sector involvement offers the potential for increased investment in the rail network, provides stimulus for innovation and provides an opportunity for an integrated approach to transport. Major transport operators are not dedicated to a particular mode of transport, they are more concerned with the transport task. This should result in more demand responsive and cost effective services.

As the private sector and commercially managed rail corporations take a more integrated approach to transport, there is the opportunity for the inefficiencies in rail to be addressed and for the inherent strengths of the mode be exploited to their full potential.