

Thank you for the opportunity to meet with the Productivity Commission and to present the views of Australia Southern Railroad on the progress in Rail Reform Inquiry. I hope that our input makes sense to the Commission and that it is taken in the spirit in which it is given.

As the first privatised freight railroad in Australia, Australia Southern Railroad is very keen to see the industry reformed. While the current focus on setting interstate standards and removing barriers to entry will help, we feel that the most important steps towards that reform is the privatization of the majority of the industry, the removal of an anticompetitive bias towards the trucking industry, and a reversal of the trend to overregulate the industry. Each of these is discussed below.

1. The industry needs to be privatised to recognise the capital intensive nature of the industry, the long life of the assets and the lack of market focus of the current government entities.

Prior to the sale of Australian National Railway, National Rail was allowed to 'nominate' an assets which they would need to serve their markets. At the time they nominated 345 locomotives with an average age of 7.5 years. That left 80 operational locomotives to be sold with the property. The remaining 80 locomotives had an average age of over 28.5 years. At the same time, NR was allowed to bid for the contract to provide locomotives and drivers for the concurrently privatised Great Southern Railway. National Rail has never shown a profit, and at the rates bid for the Great Southern Railway business we doubt if there is a profit motive in the organisation.

More recently, Optima, the government owned power gnerator in South Australia has put their traffic out for bid. We understand that the bidd4ers include government owned National Rail, Westrail and FreightCorp. Each of these government owned entities have a surplus of rolling stock which they are using to compete against Australia.

Southern Railroad. ASR, on the other hand, was stripped of its equipment prior to the sale and must provide its own capital to rebuild and upgrade its rolling stock.