

October 1998

Mrs Helen Owens  
Presiding Commissioner  
Progress in Rail Reform Inquiry  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003

VIA FACSIMILE: 03 9653 2302

Dear Mrs Owens

### **Progress in Rail Reform Inquiry**

I write on behalf of the Transport Policy Committee of the State Chamber of Commerce (NSW) concerning the Productivity Commission Inquiry - Progress in Rail Reform. The State Chamber has been granted an extension beyond the due date of 1 October.

The State Chamber of Commerce (NSW) is the peak employer organisation in NSW. In addition to representing many of Australia's leading companies, we possess an extensive network of regional and rural Chambers of Commerce and a span of members which ranges from large multi-nationals to micro-businesses. In total, the State Chamber's membership exceeds 150,000 businesses. The State Chamber's policy development derives from 9 Policy Committees comprising representatives from the State Chamber's member organisations.

The State Chamber's Transport Policy Committee comprises representatives from Australia's transport service providers, those with an interest in transport issues, combined with many large and small transport companies. The Committee has taken an active role in urging greater waterfront reform, developing a policy paper on Sydney Harbour as a working port, and in arguing the case for reform of Australia's road, rail and air transport network. The Committee regularly responds to calls for public submissions on transport issues and has an active and on-

going interest in CBD transport strategies. The Committee has assisted in the preparation of this submission for your consideration.

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The State Chamber welcomes the Productivity Commission's Inquiry into the Progress of Rail Reform. The State Chamber believes that rail is an essential component of a modern, efficient and integrated national transport system. Transportation of freight by rail in Australia has in recent years expanded significantly. This has in part, been a product of substantial reforms to the operation, ownership and access to rail over the past decade. Movement of passengers by rail is also a vital component of a modern, integrated and efficient transport network. The corporatisation and commercialisation of several rail authorities in recent years has facilitated this improvement in the rail transport network, but much more needs to be done.

The State Chamber does believe that regrettably many aspects of Australia's rail system, such as in some areas of the transportation of freight and in passenger movements, is well below an acceptable, let alone best international standard. In addition, the State Chamber remains frustrated, as do many Australians, that as we enter the twenty first century, Australia's rail network remains, in part, unchanged since the nineteenth century. After nearly 100 years as nation, Australia does not have a uniform national rail gauge. The Productivity Commission's 1991 Report into Rail Transport identified that "... most other countries have nation-wide railway systems running on tracks of uniform gauge and owned by the national government." Such inefficiencies in a national rail system are disappointing. The State Chamber recognises the need for more inter-governmental coordination to solve many of the basic structural problems in the national rail network. As such, the State Chamber supports the establishment of a national track on the standard gauge linking Brisbane to Perth via both Melbourne and Broken Hill.

The State Chamber has long advocated the need for rail reform and most recently prepared submissions to the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform Inquiry into the Role of Rail in the National Transport Network. In that submission the State Chamber argued that rail in the national transport network is crucial in delivering a cost effective and efficient integrated transport system. Specifically, the State Chamber concentrated on freight transport by rail and identified that a world class logistical system in Australia is essential in providing exporters and importers with the framework to assist them in becoming internationally competitive.

The State Chamber argued for the formation of a national track to facilitate the development of a national freight network, and for this to be competitive with the national highway network. A uniform set of standard operating procedures should guide the operation of a national track. It was also argued that there is a role for Governments in providing greater incentives to private operators to invest in rail infrastructure and encourage partnerships between large and small organisations in rail activities where the experience and work of the organisations complement each other. In addition, the State Chamber argued that track and signalling should be of a uniform international standard and that environmental, operating and safety concerns must continue to be a priority for Government. An independent safety regulator to preside over uniform national safety standards of world practice was recommended. A copy of the State Chamber's submission has been attached for your consideration.

Some months later, the State Chamber made a supplementary submission to that Inquiry arguing the need for a limited liability regime for road and rail operators in Australia to be developed. The State Chamber supports the submission by the Australian Chamber of Shipping to the National Transport Council which advocates the need for a limited liability regime for road and rail based on the *Australian Carriage of Goods by Sea Act* which governs shipping. This Act provides a reasonable level of liability as far as the carrier is concerned and aims to ensure an efficient distinction for insurance cover between carrier and merchant. The State Chamber supports the extension of these legislative principles to inland carriers, consistent with international best practice. This recommendation was not addressed by the House of Representatives Standing Committee during their Inquiry into the Role of Rail in the National Transport Network and the State Chamber urges the Productivity Commission to consider this as part of the current Inquiry. A copy of the State Chamber's supplementary submission has been attached for your consideration.

On balance, the State Chamber has expressed firm support for the Report of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, titled *Tracking Australia*. The State Chamber believes that it is a detailed, well considered and valuable contribution to the debate on the future direction of rail operations in Australia. The comments by Committee Chair, The Hon. Paul Neville, MP, when the Report was released were welcomed by the State Chamber. Mr Neville suggested that to achieve the best national outcomes, the Commonwealth should declare and invest in a national track on the standard gauge and address the chronic infrastructure deficiencies in the national track. The proposed \$2.75 billion recommended by the House of Representatives Standing Committee for substantial rail reform is supported by the State Chamber.

Also, the State Chamber would like to draw the Productivity Commission's attention to several areas in the Report by the Standing Committee which warrant particular mention and support. The elements of the Committee's report which have received substantial support from commerce and industry include the need for the Commonwealth to assume a national leadership role over rail, support for the establishment and upgrade of the national track, the case for private sector involvement in rail and support for private sector partnerships and partnerships with Government, and the need for uniform national safety and environmental standards and procedures. Specifically the State Chamber wishes to highlight the following areas in the Report:

- . Page 13, paragraph 2.15 (addressing the national track),
- . Page 18, paragraph 2.27 (listing the support of rail associations and interest groups for the Commonwealth assuming a national leadership role over rail)
- . Page 21, paragraphs 2.41 and 2.42 (outlining FreightCorp's view on what is needed in a national transport strategy and the Committee's support for a clear strategic approach)
- . Page 23, paragraph 2.51 (outlining National Rail's data on the status of the national track and the impact on speed restrictions)

- . Page 24, paragraph 2.55 (addressing the importance of an upgraded national track to private rail operators)

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- . Page 25, paragraphs 2.65 and 2.66 (outlining some improvements in the national track in recent years and the Committee's support for the declaration and substantial upgrading of the national track for interstate rail services)
- . Page 30, paragraph 2.95 (outlining the Committee's support for the establishment of an independent and national rail safety authority responsible for setting uniform national rail safety standards and procedures, and another to investigate rail safety deficiencies and causes of accidents)
- . Page 33, box 2.1 (explains attempts at accreditation by the Northern Rivers Railroad)
- . Page 35, paragraph 2.118 (describes several public rail industries which can no longer afford to operate due to substantial losses as a result of community service obligations)
- . Page 45, paragraph 2.175 (notes the work of FCL Interstate Transport Services who operate several intermodal road-rail terminals in NSW and provide a corridor for transportation to Perth and use doublestacking of containers)
- . Page 52, paragraph 3.5 (outlines private sector investment incentives for rail)
- . Page 53, paragraph 3.8 (highlights the important role that private operators play in rail services and the innovation and efficiency which results from private sector involvement in rail services)
- . Page 54, paragraph 3.14 (highlights the equally important obstacles that private operators face in making rail infrastructure investment and operation of rail services cost effective)
- . Page 60, paragraph 3.35 (the importance of joint public and private sector collaboration in rail projects and the constructive and efficient relationship which can be achieved)

The recommendation of the Committee to establish a Land Transport Commission is premature in the absence of further and extensive consultation with industry.

In addition, the State Chamber expresses concern over the Standing Committee's view that "... participation from the private sector in rail projects should be transparent and open to public scrutiny." (Page 64, paragraph 3.57) The State Chamber believes that whilst all rail projects need to be accountable, unnecessary transparency during tender and pre-project phases could deter the private sector and hinder chances for private investment in rail infrastructure in Australia.

In August 1998, the State Chamber's Transport Policy Committee was given a presentation by Mr Peter Hicks, General Manager - Assets, with the Rail Access Corporation (RAC). The Rail Access Corporation manages all publicly owned rail in NSW and grants access to private rail operators. In NSW, there are 8,000 kilometres of railway and more than 2,500 train services each day. The freight service was discussed in some detail and it was explained that although

road transport is quicker, rail is more secure, stable and reliable. The broad cross-section of State Chamber members involved in transport support this claim.

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The State Chamber remains broadly supportive of the work of the RAC and believes that it fulfils an important role in the rail industry. However, there are areas which have been identified for reform by State Chamber members. For example, Mr Hicks pointed out that there is 2,000 kilometres of unused rail in NSW which costs \$2 million each year to maintain. This is an extraordinary waste of public money which could be better directed into upgrading rail infrastructure which is more widely used.

In September 1998, a presentation was given to the State Chamber's Transport Policy Committee by Mr Tony Davidson, NSW Manager with FCL Interstate Transport. Mr Davidson discussed intermodal, common user and inland container terminals in Western NSW. The use of containerisation and the movement of freight through the combination of road and rail throughout NSW and Australia was discussed at length. It was suggested that the significant growth in intermodal containerised transport has been largely due to transport companies seeing the benefit of this form of freight transportation as cost-effective and reliable. The container facility in Blayney was characterised as a very significant intermodal hub in the Central West. There are 30 clients regularly using the rail link to the Central West which involves 2 container train services to and from Sydney per day and the operation of several terminals. It was reported that 70% of empty containers to the Central West travel by rail, and that 95% of containers are transported by rail back to Sydney. Meat, minerals, fruit, vegetables, grain and wool products dominate the freight service.

Mr Davidson also discussed the newly opened terminal in Parkes, which is building on the significant commercial success of Blayney. Parkes has been described as the transport hub for Australia and is important for the decentralisation of rail infrastructure into the regions. The terminal operates a daily train service to and from Perth. The road and rail links are complementary to the terminal's operation and Mr Davidson believes that both Blayney and Parkes terminals are the key elements of a revived freight rail strategy in Australia.

The State Chamber is supportive of the great work being done to make better use of rail in Australia and maximise intermodal transport linkages by companies such as FCL Interstate Transport Services and FreightCorp. Other opportunities exist for successful, efficient and worthwhile private sector operations. Many of these opportunities can arise through direct Government intervention in promoting rail and creating opportunities for commerce and industry. The State Chamber believes that more emphasis must be placed by Government on attracting private investment in rail infrastructure development and in maintenance.

The CEO of Liner Shipping Services and State Chamber Board Member, Mr Llew Russell, recently addressed a IIR seminar on freight transportation in Sydney. In this speech, Mr Russell discussed the interface between container terminals and road and rail links at Port Botany in Sydney. Mr Russell draws on comments made by the CEO of the Sydney Ports Corporation, Mr Greg Martin regarding the expansion of freight transportation infrastructure.

Mr Martin suggests that freight needs to be handled differently in the future, as opposed to simply providing more and more infrastructure. The proposed future for freight transportation involves three major components relevant to the Productivity Commission's inquiry.

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The components identified by Mr Martin are:

- . Inland rail hubs in both the Western and Southern Suburbs of Sydney,
- . Road freight hubs relying on stack runs to/from container terminals where such hubs are located close to the port, and an,
- . Integrated transport system with electronic links from rail and road freight hubs to and from container terminals.

A copy of Mr Russell's speech has been attached for your information.

The General Manager of FreightCorp and State Chamber Transport Policy Committee Member, Mr Neil Matthews, recently addressed a conference in Sydney on the freight rail industry. In this presentation, Mr Matthews canvassed a whole range of rail transport issues which gives support to the types of comments made in this submission and advocated more broadly by commerce and industry. Mr Matthews describes in detail many of the reforms which have taken place in the rail industry over the past ten years, the impact of the National Competition Policy on rail reform and more particularly, the emerging opportunities and challenges facing the freight rail industry in Australia. The State Chamber strongly recommends this valuable assessment of the rail industry by Mr Matthews which articulates many of the concerns of commerce and industry. A copy of the presentation by Mr Matthews has been attached for your information.

The Issues Paper released by the Productivity Commission to assist in the preparation of submissions to the Inquiry made reference to the problems of balancing the needs of urban commuters accessing urban rail passenger networks and the needs of commerce and industry for efficient, cost effective and timely transportation of freight by rail. The Rail Access Corporation has kindly provided the State Chamber with notes on the problems of efficiently handling freight in a congested urban passenger rail network. This paper also discusses the need for infrastructure investment in a national freight rail corridor and the broader community service obligations expected by the public with regard to passenger rail improvements. This correspondence has been attached for your information.

In conclusion, the State Chamber remains convinced of the need for substantial public and private sector investment in new rail infrastructure and maintenance. An efficient and coordinated national rail network is vital for commerce and industry in Australia. In this submission, the State Chamber has sought to draw together the already considerable work undertaken arguing the case for rail reform and which adequately reflects the views of commerce and industry.

To assist the Commission during the course of the inquiry, the following documents have been attached for your information:

- . State Chamber's submission to the House of Representatives Standing Committee Inquiry into the Role of Rail in the National Transport Network. (1997)

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- . State Chamber's supplementary submission to the House of Representatives Standing Committee Inquiry into the Role of Rail in the National Transport Network. (1998)
- . Speech by Llew Russell (CEO, Liner Shipping Services Ltd) to the IIR Seminar on Freight Transportation, in Sydney. (1998)
- . Speech by Neil Matthews (GM, FreightCorp), on Understanding the Freight Rail Industry in Australia, in Sydney. (1998)
- . Correspondence from the Rail Access Corporation Identifying Areas for Rail Infrastructure Improvements in the Sydney Area. (1998)

The State Chamber has spent some time considering rail reform, and I trust that you will find these comments useful during the course of your current inquiry.

In addition, a copy of this submission has been attached on a 3.5 inch diskette. If you require any further information regarding this submission, please feel free to contact the State Chamber's Policy Adviser, Troy Bramston, on 9350 8100 to discuss any of these matters.

Yours sincerely

**KATIE LAHEY**  
**CHIEF EXECUTIVE**