

HEAD OFFICE

12<sup>th</sup> November, 1998

Progress in Rail Reform  
Productivity Commission  
Locked Bag 2  
Collins Street East  
MELBOURNE VIC 8003

**By Facsimile No.:** (03) 9653 2302

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Dear Commissioners,

**FURTHER SUBMISSION**

You will be aware that Specialized Container Transport (SCT) has previously made a written submission to your commission.

We would like to make the following additional submissions (concerning mostly recent developments) which may assist your inquiry:-

1. Rail Access

You will be aware that the Federal Government has created the Australian Rail Track Corporation (ARTC) to, inter alia, co-ordinate rail access and to advance uniformity of technical, operating and safe working standards on the interstate network.

In relation to rail access, the newly created ARTC has submitted to SCT a draft access agreement. Whilst this draft agreement offers the rail operator certainty of term for train paths (in accordance with the NCC recommendations), it exposes the rail operator to considerable financial penalty in the event the operator is unable to use a train path for the entire term committed to.

SCT is presently investing tens of millions of dollars into rail terminals and rolling stock and consequently requires long term tenure of the train paths that its business relies on. It is not possible for SCT to obtain similar long term commitments (10 year commitments) from its customers so as to provide it with certainty of long term use for those paths as required by the ARTC.

Further, this provision is being required despite the fact that the ARTC and operators (including SCT) would be sufficiently protected by the removal of train paths from operators on the grounds of under-utilization.

In view of the small number of rail operators in Australia, and the even smaller number of operators prepared to invest in rail infrastructure, the attitude of the ARTC is puzzling in this regard.

There are a number of other significant provisions within the ARTC Agreement which are not reasonable and which, in our view, if persisted with, would be detrimental to competition in rail. It may be necessary to address these issues with the Government should we fail to convince the ARTC to change its position.

## 2. Single Voyage Sea Permits

We have raised with the Federal Government the liberal issuance of single voyage sea permits to foreign shipping operators transporting freight from the east to the west coast.

These foreign shippers, having already recovered their fixed costs for the east west shipping journey, are offering freight rates which would not even cover our track access costs.

Whilst the Government is careful to assist the domestic air carriers on the east west route from overseas air carriers carrying passengers at marginal cost, there is nothing being done to assist Australia's rail operators.

## 3. Federal Government Focus on certain corridors

The Government has shown an interest in the construction of new significant rail infrastructure such as the Melbourne to Darwin and Adelaide to Darwin rail corridor proposals.

We believe it is important for Governments and key policy makers to understand that the national network of freight corridors as a whole must be considered before concentrating on any one specific freight corridor.

In the absence of such a national approach, it will be difficult for rail to increase its share of the freight transport task.

One need only look to the present state of the main interstate rail lines between Melbourne and Perth to understand the importance of this approach. Whilst the Government is focusing on new rail corridors, and failing to provide / secure adequate funds to repair / upgrade present track (rectifying such problems as height restrictions, lack of passing loops and speed restrictions), it will be difficult for rail to maintain its existing share of the freight task.

It is also important that the Government does not delay in rectifying / upgrading the state of the track on the east west corridor in the hope that private sector investors will perform that task. To do so, would be to risk losing private sector investment in other areas such as those targeted by SCT including terminal and rolling stock investments.

To date, we have seen little action by the Government on the recommendations made in the Maunsell Report to the Australian Transport Council which addresses many of the problems being experienced by rail operators.

With or without private sector investment, the Government must ensure there are adequate funds employed to allow rail to compete with road.

#### 4. Privatisation of Track Access Authorities

We are increasingly seeing a move towards the privatisation of track access authorities as vertically integrated organisations; that is, including the sale of certain track and consequently the management rights over that track. In this regard, we refer you to the privatisations of V/Line Freight Corporation (in Victoria) and Westrail (in Western Australia).

Whilst we have not been provided with copies of the access regimes to be implemented following these privatisations, it is difficult to see how a competitor may secure, without hindrance, access from another competitor for the same business.

#### 5. National Rail Corporation (NRC) Privatisation

We understand from recent media reports that the shareholders in NRC may be close to reaching agreement on the privatisation of NRC.

In order to ensure that this privatisation does not have a detrimental impact on the level of private sector investment in rail generally, we are concerned to ensure that the successful purchaser does not secure NRC (and its many assets) at less than full value.

In the event NRC was secured for less than full value, competition (and consequently private sector investment) in rail would suffer if not cease.

We trust this additional submission is of assistance. We would be happy to elaborate on any of these issues raised, should you so require.

Yours faithfully,

**Mark McAvoy**  
**GENERAL MANAGER, GROUP DEVELOPMENT**