

Assoc Prof Philip Laird PhD, Comp IE Aust, MCIT  
School of Mathematics and Applied Statistics  
University of Wollongong 2522  
Phone (02) 4221 3421 Facsimile (02) 4221 4845

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The National Access Regime Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616 email access@pc.gov.au

Dear "Inquiry"

1. Reference is made to a circular of the Commission inviting submissions to this inquiry. Please accept this letter as a submission. This submission is made in a personal capacity and although it has drawn on research conducted at the University and supported, in part, by the Rail Access Corporation, it does not necessarily reflect the views of either organisation.
2. It is submitted that it is a major challenge for Australia to optimise the use of rail for the movement of bulk freight, and also long distance freight.
3. Reasons for optimising rail freight include the fact that when all costs are counted, road freight is basically a high cost option. Elsewhere, this writer has argued there are hidden road system costs for articulated trucks moving freight over good roads at about 1 cent per net tonne km or higher. Further details can readily be supplied on request. The cost for bulk haulage on rural and regional roads of modest construction is argued at about 3 cents per net tonne km. Again, further details can readily be supplied on request.
4. Road freight also incurs road safety risks. On non-urban sections of the National Highway System within NSW, Roads and Traffic Authority data from 1988 to 1999 show a loss of 578 lives from fatal crashes involving articulated trucks; also, such fatalities accounted for about 36% of all fatalities on these non-urban highways.
5. On the basis of unit costs given in the Bureau of Transport Economics' report "The costs of road crashes" May 2000, and, recent NSW crash data involving articulated trucks,

there is an average unit road crash risk cost of 0.5 cents per net tonne km for road freight moved by articulated trucks. Again, further details can readily be supplied on request.

6. Both road and rail freight have environmental impacts which are more noticeable in urban areas. However, rail freight impacts, including noise and air pollution, are generally much less than road freight impacts.

7. For line haul general freight, rail is generally three times more energy efficient than road freight. For certain bulk haulage, this ratio could be as much as six.

8. Despite the economic, environmental and social benefits of movement of some (but not all) types of freight by rail, both Federal and State Government policy often favours the road mode of transport. This is due to:

- a) a much more favourable investment in upgrading roads, as opposed to upgrading rail track,
- b) hidden subsidies for road freight, whilst rail freight, apart from now clearly identified Community Service Obligations, has 'user pays' track access charges.
- c) 'under-regulation' of road freight with significant occurrence of speeding, driving excessive hours, and overloading.
- d) appreciably more Government funds for road research, development and promotion, than for rail research, development and promotion.

The 'bias' is notably worse at a Federal level than State levels. At a State level, the 'bias' varies between States.

9. The need for development of national integrated transport policy affecting road-rail competition for freight has long been recognised. For example, during the early 1990s, an Ecologically Sustainable Development (ESD) Working Group on Transport issued a final report that gave careful examination of the issues, and made some 30 recommendations. These addressed various concerns. Most of these recommendations were effectively ignored by Government when formulating budgets, although some influenced 1992 Government policies on ESD, and the National Greenhouse Reduction Strategy (NGRS).

The Keating Government established in 1993 a National Transport Planning Taskforce (NTPT) *"...in order to develop a truly nationally integrated transport system."* After selected consultation and detailed consultants reports, the NTPT produced its first report "Building for the Job" in December 1994, with 3 reports following in 1995. The main conclusion was that *"Significant changes are needed in the way Australia makes and implements transport decisions."* There were 16 recommendations, including:

*"Commonwealth, State and Territory Governments negotiate and seek endorsements of the Council of Australian Governments to establish a framework for national strategic transport planning in Australia - a National Transport Infrastructure Network...."*

*"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." The rationale was that "...more flexible funding mechanisms should be negotiated so funds can be channelled into corridors and modes of highest priority."*

*"All governments ensure transparency in setting of taxes and charges on freight transport. In setting taxes, governments should consider the consequences for competition between modes. ..."*

*"All governments ensure development mechanisms for pricing for the use of transport infrastructure which reflects the costs of efficient provision of that infrastructure and take into account congestion and environmental factors in a transparent way."*

10. The need for integrated transport planning was again reiterated by two separate transport inquiries by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform (1997, 1998). The Committee, mostly chaired by Mr Paul Neville MP in its 1997 report on roads 'Planning not Patching' recommended, *"...that the Commonwealth consult widely, develop and publish an integrated national transport strategic plan by 1 July 1999."*

Ten months later, the Neville Committee's August 1998 report 'Tracking Australia' on had recommended *"...that the Commonwealth assume the leadership role and consult widely in developing an integrated national transport strategic plan to be published by 1 July 1999."*

Needless to say, the 1 July 1999 came and went without any integrated strategic plan from Canberra. Further support for integrated transport planning was given in a 1999 report 'Revitalising Rail' by a Rail Projects Task Force established by the Prime Minister. The Taskforce, chaired by Mr. Jack Smorgon, OAM, of Melbourne in its report released in May 1999 found that the lack of an integrated national transport strategy and substandard national track were the two major barriers to improved rail performance.

Their first Recommendation was that: *The Commonwealth Government takes the lead in developing an economically-driven National Transport Strategy that will secure a seamless domestic transport system embracing road, rail, sea and air transport, and provide for the entry and exit of people and goods by sea and air at world competitive standards.*

This 1999 recommendation of the Rail Projects Task Force was yet another variation of the long sought after National Transport Strategy recommended in 1991 by the ESD Working Party, the NTPT report in 1994, and the two Neville Committee reports of 1997 and 1998. The move to more integrated national transport planning was to be delayed, with proposals for a National Land Transport Commission (NLTC) sunk. Eventually, a more limited National Transport Secretariat was formed.

11. The Senate Select Committee on National Competition Policy in its February 2000 report 'Riding the winds of change' recommended that 'Given the significance of road and rail infrastructure, that transport be a matter of priority consideration by COAG.'

The current interest by COAG in transport energy use is helpful. However, there is a need to advance some real transport reform. As seen by a House of Reps Committee Deputy Chair, Mr Colin Hollis MP (House of Reps, 1 June 2000)

"What this country is crying out for is a government, and especially a minister, with courage and foresight to accept that this country needs a national transport policy - and I do not care on what side of the House it is ... that embraces all modes of transport: road, rail, sea and air, to give us an integrated program that will be for the benefit of all Australia instead of this piecemeal statecentric nonsense that passes for transport policy in this country."

12. The Senate Select Committee on National Competition Policy in its February 2000 report 'Riding the winds of change' also recommended that "NCC (National Competition Council) should address the issue of road-rail competition for freight as a matter of urgency."

Regretfully, the Federal Government response to this recommendation was negative. Advice from the National Competition Council indicates that their hands are tied on this issue. At present there is a heavy emphasis on rail - rail competition, whilst both Government and the regulators sidestep the real issue of rail - road competition for freight.

Some comments on this issue appear in the 1999-2000 Annual Report of the National Competition Council

13. There is a real question as to whether vertical separation of railways in Australia has been carried too far. At the end of the day, the real question is : have the reforms to date allowed more freight to be transported by rail with less heavy vehicle use of roads.

14. The main preconditions to get more freight on rail are, after a decade of sustained rail reform, very clearly:

- A. Improvement in track infrastructure, with mainline track straightening where need be to remove severe speed-weight restrictions.
- B. Improvement in competitive neutrality.

The improvements in rail productivity during the 1990s with better management, fewer staff, better locomotives, and wagons, have been well documented, by the House of Representative Standing Committee 1998 report 'Tracking Australia' (the Neville Committee). Further discussions of improved rail performance about the Smorgon Task Force reporting to the Prime Minister in 1999, and the Productivity Commission's final report on progress in rail reform.

Additional information is the growing efficiency of Australian rail operations is given in a 1998 paper, "Rail Freight Efficiency and Competitiveness in Australia" (copy can be supplied from the London based 'Transport Reviews').

15. The Neville, Smorgon and Productivity Commission reports all supported additional track investment, and attention to competitive neutrality.

However, the Federal Government's April 2000 response, as well as being delayed, was very weak in these two vital areas.

The issue is in part addressed in the attached paper from the *Australasian Transport Research Forum* Perth, September 1999 Volume 23, Part 1, p 27-42 Interstate Rail And Road Investment And Access Pricing. An abstract follows.

The paper outlines Australia's 8270 kilometres of mainline interstate track, and, its National Highway System (NHS) that was formed in 1974 and now extends for some 18 700 kilometres. The Parkes - Brisbane secondary rail lines and the Pacific Highway are also noted. Past levels of investment from 1974 to 1999 (in the order of \$1 billion for intercity rail and \$18 billion for the NHS), major infrastructure upgrades, and economically warranted future investment to 2015 as identified for the former National Transport Planning Taskforce, are also outlined. Such future investment includes augmentation of parts of the NHS to six or more lanes, and, the need to further improve interstate rail freight efficiency and competitiveness through selective track upgrading.

Road pricing for cars and trucks using the NHS in 1974 and the changes in road pricing to date are given in summary form, along with the recent arrangements for 'open' interstate track access' with the posted Australasian Rail Track Corporation rates.

The paper questions the consequences of more balance between Federal funding of interstate rail and road links, and, more consistency between rail track and road access pricing for intercity land freight. The potential benefits of such a "new and different" approach include lower total transport costs, and, a reduction in energy use and greenhouse gas emissions.

16. Mainline track straightening has been well advanced for twelve years in Queensland leading to faster and heavier freight trains. This has also allowed for the introduction in late 1998 of a highly successful tilt train between Brisbane and Rockhampton.

17. As well as better mainline track, attention is also needed to obsolete signaling and safe-working systems (such as between Exeter and Medway, also south of Harden and north of Casino), and to a means to ensure better communication between train controllers and drivers, to avert tragic fatal accidents such as the one that occurred in December 1999 at Glenbrook.

The incident at Ararat in November 1999 also raises a number of questions.

18. Fairer competition between road and rail transport operators for freight will also require improved road pricing for heavy trucks. When NSW was all but forced by the Competition Principles Agreement to adopt, in 1996, "truck friendly" National Road Transport Commission (NRTC) Charges, several set backs occurred.

- A. Mass-differentiation was lost in annual charges;
- B. The heavier semitrailers had annual charges halved from about \$8000 to just \$4000;
- C. B-Double charges were slashed from over \$12,000 to under \$6000;
- D. It cost the NSW Government about \$60 million a year.
- E. Heavier trucks were put on the roads, when the standard Gross Vehicle Mass for a six axle articulated truck was increased from 38 to 42.5 tonnes.

The second generation NRTC charges introduced in 2000 continue the hidden road subsidies for heavier trucks. On present advice, they are not due, apart from indexation, to change to at least 2003.

19. It is appreciated that increasing road pricing for heavier long distance trucks will take some time. Until this is addressed, there will be a need to upgrade mainline rail track. The Commission is invited to revisit this issue, in the light of the failure of the Federal Government to hold an inquiry into roads, as recommended by the Productivity Commission in its draft, and final, reports on the progress in rail reform.

20. The main challenge for Australia is to have more equitable and efficient means of providing funds for upgrading land transport infrastructure of real national significance (as opposed to the so called roads of national importance), and, more comparable access pricing for long distance rail and road transport.

I would be pleased to give further information on request, and meet with the Commission during hearings.

Yours sincerely,