

**Supplementary Submission to the Productivity Commission
Inquiry into the National Access Regime from the
Railway Technical Society of Australasia 1 June 2001**

1. This submission continues from our December 2000 submission to the Commission's present inquiry. As per our earlier submission the Society is a technical society of the Institution of Engineers, Australia. Since our primary submission, the number of members has grown to over 853 members.

2. The question of interstate rail track access and the quality of mainline track is one that the RTSA considers should be addressed, rather than avoided, in the present inquiry. We note that Box 9.1 on page 234 of the Position Paper cites some NSW Mineral Council concerns about NSW track access.

3. As noted in the House of Representatives Standing Committee on Communications, Transport and the Arts 2001 report "Back on Track" released in May 2001, there are ongoing problems in the way interstate train operators can gain NSW mainline track access.

4. The present inquiry gives the Commission an opportunity to follow up certain aspects of interstate rail access. This may, however, require the Commission to take a broader view of its terms of reference consistent with its overall charter and consistent with the Commission's "*Éconcern for the wellbeing of the community as a whole*".

5. The present situation, as also identified by the Australian Rail Track Corporation (ARTC) Track Audit released in May 2001, is that the East – West corridor linking Melbourne, Adelaide and Perth, is generally working well, whilst the North – South rail corridor linking Melbourne, Sydney and Brisbane is working poorly.

There are various reasons for this difference. For example, the East - West rail corridor has had significant investment. This includes a 25 year concrete resleepering program by the former Australian National Railways Commission of over \$500 million, Adelaide – Melbourne gauge standardisation completed in 1995 by the Keating Government, and subsequent track work by the ARTC that was formed in 1998 by the Howard Government. These investments have underpinned reasonably efficient rail operations and were a precursor for effective rail – rail competition on the Melbourne – Perth corridor, where rail now has as much as 77 per cent of the land freight market.

On the other hand, investment in the North – South corridor has been very limited, there has been failure for the ARTC and NSW rail authorities to reach

agreement over interstate track access as envisaged in 1997, Sydney rail congestion has grown worse, and rail – rail competition is limited. As a result of these and other factors, including massive highway investment in the Hume and Pacific Highways, rail has a paltry 10 to 20 per cent of the land freight market.

6. As noted in the Commission's final report on rail reform, p236, "*Low quality track has adverse consequences for rail costs and productivity.*"

A further consequence is increased reliance on long haul trucking, with increased road damage and road crash risk, and increased fuel use for the same land freight task.

7. The RTSA submits that there are four basic problems that now need addressing:
- A. The lack of investment problem that results in "*substandard national track*" (Smorgon, 1999) with severe speed - weight restrictions limiting train operations between Melbourne, Sydney and Brisbane;
 - B. The NSW interstate track access problem that has been dragging on for 3.5 years since the relevant November 1997 Inter Governmental Agreement;
 - C. The delays in reaching harmonisation of operating and safety standards for interstate freight train operations;
 - D. The failure to address "competitive neutrality" and compensating for a further distortion of competitive neutrality with the introduction of the New Tax System. This is despite the recognition in 1997 by the Australian Transport Council of the need to improve competitive neutrality.

Further comment on these problems follow.

A. The investment problem is also highlighted by the Track Audit commissioned in 2000 by the Federal Government's own track access provider, the Australian Rail Track Corporation (ARTC). In an accompanying media release on 1 May 2001, the ARTC noted that significant sections of Australia's interstate railway "*...could no longer offer competitive services, mainly because of obsolete and poor quality track and signalling*".

B. The NSW Government appears to be a Sydney-centric State Government that is both reluctant to invest in mainline interstate track and finds it difficult to reach agreement with the ARTC on interstate track access etc. Whilst NSW rail authorities did an excellent job with moving people during the Sydney Olympics, and could do a good job with urban passengers, there is a growing case for NSW to have less to do with interstate rail freight. The delays on the part of NSW rail authorities to properly address issues affecting interstate freight suggest that we should revisit the earlier inter-

governmental agreement that would have allowed National Rail (NR) to take up interstate track. At one stage, NR was to take over Albury-Goulburn and Maitland-Acacia Ridge track. It would now seem appropriate that ARTC take over such track.

Further comment is given by an article *NSW - A LOGJAM FOR RAIL REFORM* by Mr Mark Carter in Rail Express April 2001. The article notes, inter alia, the problems faced by potential interstate rail freight operators in dealing with the NSW Rail Infrastructure Corporation and the delays in fixing Sydney's 'notorious' freight congestion problems. *"In contrast, over the last couple of years the ARTC has completed major upgrades on all its corridors while meeting all pathing requests and without any major disruption to services."*

C. The basis of the Track Audit should also be known so as to understand if it encompasses the likely standards and codes of practice being developed by the Federal Government for imminent application to the defined interstate railway network. If the audit has not covered this eventuality, then it would seem necessary to extend the audit of the infrastructure to ensure that new standards also covered. If we are to have a railway it must be fit for purpose and up to applicable industry standards. The Trade Practices Act would seem to require nothing less.

D. The Productivity Commission did grapple with road - rail competition in its inquiry into rail reform, and did recommend that an inquiry take place into road provision, funding, and pricing. The fact that the Government did not agree in April 2000 to such an inquiry should not discourage the Productivity Commission, as an independent Commission, to comment on the need, yet again, for a more even handed treatment of competing modes. The implications for interstate rail access and track condition, if massive highway subsidisation continues with low cost recovery from heavy trucks, is also important.

8. The problems outlined in section 7 are interrelated. For example, if there were one private owner of interstate track and freight operations, with improved competitive neutrality, then one would expect private sector investment to upgrade the NSW mainline interstate track to reasonable standards.

To date, the Federal Government has only made a limited and conditional offer of \$250 million to upgrade track, and has neither increased its offer nor used its constitutional powers to further improve interstate rail freight. The situation was not advanced in the Federal Budget brought down on 22 May 2001, or, in the meeting of the Australian Transport Council held 25 May 2001.

In a media release of 13 April 2000, GOVERNMENT RESPONDS TO LAND TRANSPORT REPORTS, the Deputy Prime Minister and Minister for Transport and

Regional Services, the Hon John Anderson noted, inter alia "...Our response signals the Federal Government's resolve to pursue a nationally uniform framework for railway track access arrangements and regulatory and safety regimes for interstate rail transport.

"The cooperation of the states is crucial to the rail reform process. Some of them are well down the path of privatising operations and achieving improved productivity. Most have separated track management from rail operations. But there is still a long way to go. If the rate of reform does not pick up, there is danger that rail will drop so far behind the road freight industry that it will never be able to attract the necessary level of investment funds."

Mr Anderson said that if **a national rail access regime was not working effectively by mid-2001, the Government would consider further options, including Commonwealth legislation.**

It is clear that a national rail access regime is not working effectively and it is now all but mid-2001. Yet there is no sign of Commonwealth legislation.

Mr Anderson then also noted that *"Should industry co-regulation and implementation of national rail operational codes not be working effectively by mid-2001, the Commonwealth will seek agreement of other jurisdictions to establish a new institutional framework for the rail industry, similar to the National Road Transport Commission."*

Strong support for a National Rail Transport Commission was expressed at a seminar convened by the House of Representatives Standing Committee on Communications, Transport and the Arts in Sydney on 24 November 2000.

Such interstate track access problems have dragged on for too long. They deserve more attention than was given in the March 2001 Position Paper of the Productivity Commission in its Review of the National Access Regime.

9. The RTSA submits that the Productivity Commission should agree to address the above issues relating to interstate rail access within the scope of the current inquiry. In the view of the RTSA, the very least that the Commission could do is note and endorse the three recommendations of the House of Representatives Standing Committee on Communications, Transport and the Arts 2001 report "Back on Track", as follows.

Recommendation 1 *The Minister for Transport and Regional Services should take a leading role in continuing to reform the Australian rail industry by:*

— legislating to establish a national rail network manager;

— legislating to establish a national rail transport commission, modelled on the National Road Transport Commission, to be responsible for strategic planning in the industry and establishing harmonised accreditation, operational and safety standards on the national network; and

— considering again the establishment of a single land transport commission (involving all States and Territories and incorporating the National Road Transport Commission and the rail transport commission proposed above) to ensure that national transport planning is conducted in a coordinated fashion across all transport modes.

Recommendation 2 *The Minister for Transport and Regional Services should, when considering the package of reforms we have recommended, give the highest priority to declaring a national track for interstate rail services on the standard gauge network from Brisbane to Perth.*

Recommendation 3 *Upon receipt of the results of the Australian Rail Track Corporation's national infrastructure and performance audit, the Minister for Transport and Regional Services should urgently put in place a 10 year below track infrastructure re-development program of a magnitude comparable to that recommended in Tracking Australia. This program should be in addition to funding already made available to projects such as the Alice-Springs to Darwin rail link and the Sydney freight corridor.*

10. The RTSA supports the recommendations of the ARTC Track Audit released in May 2001 for a minimal investment of \$31 million for the Melbourne - Perth corridor, \$78 million for the Sydney - Perth corridor, \$73 million for Sydney - Brisbane and \$325 million for the Melbourne - Sydney corridor. However, the package of \$507 million of optimised investment on the four corridors will still leave the system far short of United States Class I railroad track standards. As the track audit notes, the \$507 million package is necessary whether or not an inland Melbourne - Brisbane route is identified.

The RTSA urges further consideration of the benefits and costs of regrading rail track in the Eastern Slopes of the Adelaide Hills, with extension of double stack container capability to Melbourne, and extensive track straightening between Sydney and Melbourne. This includes the Wentworth Route, with consideration given to the 1981 "T-Line" proposal noted in the ARTC Track Audit as the Centennial Route and the Bowning Frampton direct route also noted in the ARTC Track Audit, and, the brochure attached to the main submission.

Work for the NSW Short North line identified in the NSW Action for Transport 2010 statement should also be expedited, along with a direct Fassifern - Hexham route.