

**Submission to the
Australian Competition and Consumer Commission
re Draft Decision of
Australian Rail Track Corporation Access Undertaking
from the Railway Technical Society of Australasia 30 January 2002**

1. The Railway Technical Society of Australasia (RTSA) is a technical society of the Institution of Engineers, Australia. Membership has grown to over 860, with five active Chapter programs based in mainland State Capital cities. This submission to the Steering Committee updates submissions made in 2001 to the Treasury, the Productivity Commission's National Access Regime inquiry, the Fuel Taxation Inquiry, and earlier submissions to Government by the Society.

2. This submission is of a general nature. Its purpose is to draw the Commission's attention to the need for substantial upgrading of the national track, and raise questions as to how an access regime may help in the necessary upgrading.

As noted in the National Track Audit released by the Australian Rail Track Corporation (ARTC) in May 2001, NSW track is in need of upgrading along with replacement of antiquated safeworking systems such as presently installed between Casino (NSW) and Acacia Ridge (Queensland). However, there is also scope for further track upgrading between Melbourne and Adelaide including future provision of double stacked container carrying capacity, and improved track alignment in the eastern slopes of the Adelaide Hills.

The Society trusts that the Commission, in its consideration of the Track Access Regime, will give attention to the need for such upgrading, and how track access regimes can be used to fund track upgrading to ensure 'fitness for purpose' in a changing environment. This changing environment includes the situation where intercity rail freight needs faster and heavier freight trains to effectively compete with faster and heavier trucks that are operating over a National Highway System that has been substantially upgraded since its formation in 1974. As the National Highway System, and the Pacific Highway continues to be upgraded, the national rail track will need to be further upgraded for intercity rail freight to remain competitive with heavy trucks.

3. The Society suggests that it is impossible to consider rail freight operations on ARTC track in isolation from the operation of heavy trucks on the National Highway System. It has long been recognised that users of rail freight as well as train operators "should" pay for the track whilst users of road freight do not fully pay for the "road track" used by heavy trucks. Indeed, the track audit noted a road system cost of 0.64

cents per net tonne kilometre along with other transport externalities (Booz.Allen & Hamilton - Appendix)), a recent book 'Back on Track: rethinking transport policy in Australia and New Zealand' by Laird, Newman et al (UNSW Press, 2001) notes a hidden road system subsidy to articulated truck operations averaging 1.25 cents per net kilometre, whilst the former Rail Industry Council in its 1990 report "Rail into the 21st Century" considered subsidies in a range of up to 2 cents per net tonne km. As seen by the Bureau of Transport Economics (1999, Competitive neutrality between road and rail, page xi) *"Under the current road user charging system, trucks overall are undercharged for their use of the road system. Moreover, larger more heavily laden vehicles and those travelling larger distances are charged the least (per tonne kilometre) while smaller, less heavily laden vehicles and those travelling shorter distances cross-subsidise them."*

The situation of large hidden subsidies being available to long haul trucking has been present in Australian interstate freight for nearly five decades now. This distortion goes back to a London Privy Council case in the mid 1950s that effectively agreed that interstate trucking should have access to interstate highways at minimal charges.

Ongoing road pricing regimes for heavy trucks including the former Road Maintenance Contribution Scheme in place in the 1960s and 1970s, and now the National Road Transport Commission charges (first generation and current levels) have continued low road charging for heavy trucks.

The full Federal funding of the National Highway Scheme since 1974 without corresponding funds for mainline interstate rail track have lead to a steady improvement in major interstate highways whilst much of the interstate rail track in Eastern Australia has been identified with severe physical limitations. Large scale and ongoing 'highway subsidisation' clearly acts as a disincentive for private investment in interstate rail track (particularly in Australia with a large area and relatively small population). In this adverse policy setting, the obvious remedy is more Commonwealth Government investment.

4. The issue of "...*substandard national track*" was recognised as a major barrier to improved interstate rail freight operations by the Prime Minister's Rail Freight Task Force in 1999 (the Smorgon Report). Severe speed - weight deficiencies on much of the national track network were also noted by the Productivity Commission's 1999 report on Progress on Rail Reform (that clearly identified Sydney's rail freight problems), and the two rail reports of the House of Representatives Standing Committee on Transport etc released in 1998 and 2001. All of these Government reports, and the ARTC Track Audit, highlight the need to

remove severe speed-weight restrictions that make interstate rail freight services unattractive to many shippers in Eastern Australia.

5. Although mention is made on page 125 about the Track Audit in relation to comments by National Rail Corporation, the present ACCC draft undertaking does not recognise the ARTC National Track Audit.

Although the draft decision does recognise maintenance, there is no reference at all in the entire draft decision to any of the terms 'upgrade', 'upgrading' (of track), 'augment', or augmentation' of track capacity.

The Society suggests that in a world where competitive neutrality between road and rail applied in both investment and pricing, a good access regime will give financial incentives to make long term investments in track upgrading. In such a case, consideration could be given to allowing the ARTC to charge higher access rates on substantial completion of the recommended track audit scope of works at an estimated \$507 million.

In the ongoing absence of competitive neutrality, and in regards to the proposed transfer of New South Wales mainline interstate track to the ARTC, during the transition from a New South Wales based jurisdiction to a national jurisdiction the federal Government needs to actively support the ARTC so that it is less focused on profits and more focused on overcoming the interface and safety issues of a rail infrastructure manager. This will also allow above rail operators time to develop markets/businesses and establish private interstate rail freight on a sound footing. Both the rail safety issue and the development of rail interstate markets are important long term goals for Australia. As recognised by the ARTC Track Audit, transfer of line haul road freight to rail has benefits including improved road safety along with reduced air pollution and greenhouse gas emissions.

A balance is required between using low tariffs that will entice other above rail operators to participate in freight markets, and generating funds for investment.

There is also a need to avoid a situation where long term investments (for example, new bridges or rail deviations that may last for over 50 years) are not discouraged by economic pressures.

6. The Society has produced a series of 'Fix the Rails' brochures that note the reasons for the speed-weight restrictions. The brochures relating to NSW, where most of the problems are present, are enclosed along with a new brochure produced in 2001 that addresses Track Audit issues: "Getting Rail Back on Track".

7. The NSW interstate mainline track problems, along with the problem of freight train access to Sydney rail terminals and Port Botany, include 'steam age'

alignment with excessive curvature – on average a curve for every kilometre on the Main South line to Albury which also has steep ruling gradients of 1 in 40 in both directions. Other Main South line deficiencies include antiquated safe working and the poor condition of the bridge over the Murray River at Wagga built c1880 and which now has a 20 km per hour speed restriction. Many, but not all, of the speed - weight restrictions would be addressed by the ARTC Track Audit recommendations.

However, more benefits would be obtained by completion of major works outlined in the ARTC Track Audit including the three major rail deviations (Wentworth, Centennial and Hoare) identified in the full report of the ARTC National Track Audit (Maunsell McIntyre report, page 65).

The three major deviations would extend the optimal \$507 million scope of work recommended by the Track Audit, with the benefits of reducing Sydney - Junee point to point distance by approximately 50 kilometres, and allow for the operation of high speed tilt trains as well as faster and heavier freight trains.

In addition, consideration should be given to developing a capacity for moving trains with 30 tonne axle loads at reasonable speed between Melbourne, Sydney and Brisbane, or at least Melbourne and Sydney. This would require use of heavier rail and other track along with some strengthening of formation and structures.

Improvement in the quality of the track condition and alignment, with subsequent remove current speed weight restrictions, should result in a reduction of expenditure on Major Periodic Maintenance.

8. The Sydney – Brisbane line is actually worse than the Sydney – Melbourne line. Whether or not an inland Melbourne – Brisbane line via Parkes proceeds, some upgrading of the existing track is needed. As recognised by the ARTC Track Audit, the existing lines should be upgraded as part of the \$507 million package. This includes replacement of the antiquated Casino – Acacia Ridge safeworking system.

Consideration should also be given to the NSW Action for Transport 2010 statement that includes Hornsby – Warnervale works, and studies into a Fassifern – Hexham bypass.

9. The Society suggests the delays to date by both the Federal and NSW Governments in upgrading this mainline track have resulted in the use more and more trucks to move interstate freight. If this issue affecting NSW mainline interstate track is not resolved in early 2002, as per our submissions made in June 2001 to the Productivity Commission's draft report on the National Access Regime, the issue should then be referred to COAG for resolution as a matter of urgency.

More Commonwealth funds than budgeted to date will be required for upgrading the track to ARTC National Track Audit optimal investment standards. In

addition, more funds may well be required to gain NSW Government agreement to the proposed new arrangements for ARTC management of NSW mainline interstate track.

Incidentally, the Society had hoped that the Productivity Commission's final report on the National Access Regime, that was completed in October 2001, would have been released later in 2001. As of 25 January 2002, it had not been released.

10. RTSA supports the ARTC publishing Track Quality Indices and other track performance indicators for the public interest as well as benefit of above rail operators. The publishing of Track Quality Indices and other performance indicators of TCI's gives public confidence in the asset, and its fitness for purpose.

11. RTSA notes that in February 2000, the Senate Select Committee on the Socio - Economic Consequences of the National Competition Policy recommended, inter alia, that "*...the NCC address the matter of road-rail competition for freight as a matter of urgency.*" This recommendation was rejected by the Howard Government in August 2000 on the grounds that the issue was a matter for Government.

The fact is that road-rail competition for freight is important, and as this Senate Select Committee also recommended; *Given the significance of road and rail infrastructure, that transport be a matter for priority consideration by COAG.*

RTSA would welcome a statement from the ACCC as to how competitive neutrality for road and rail freight could be advanced.

12. The Society trusts that the Commission will give its full consideration to the matters raised in this submission.