

SOUTH EAST AUSTRALIAN TRANSPORT STRATEGY INC.



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Submission by SOUTH EAST AUSTRALIAN TRANSPORT STRATEGY INC.

SEATS, an organization which represents the Councils in the South East Region of Australia wish to make the following submission to the NTC Study: **The role of Government in Rail Freight Investment**

This submission has been compiled by the representative members of SEATS and includes comments and observations by:

Donna Starkey, Latrobe City Council
Robert Ashworth & Ian Campbell, Wellington Shire
Mike Coley, (personal submission) Upper Lachlan Shire Council
Dom Figliomeni, CEO Port of Port Kembla
Mark Williams, Sanmar Consulting Group Pty Ltd
Chris Sutherland, Sutherlands Transport Pty Ltd.
Greg Heraghty & Rachel Trindade, Independent Transport Pty Ltd

Introduction:

The NTC's paper on rail freight productivity in August 2009 identified five areas of productivity impediments:

- policy, planning and investment
- economic regulation and market structure
- environmental, safety and technical regulation and standards
- human capital
- productivity measurement

The ATC agreed that the NTC should do further work on "policy, planning & investment" (being the current piece of work) and then proceed to "economic regulation & market structure".

The issues identified by the NTC in 2009 under "policy, planning & investment" and taken forward in the current paper essentially relate to:

- a lack of clarity regarding the policy objectives of Governments and their Government owned corporations and
- a lack of transparency as to why and when Government subsidies are being provided.

SEATS have a close appreciation of the need for clear policy objectives in relation to promoting regional rail - because they are more likely to see first hand the urgent need to get regional rail working properly and the impact on businesses without viable regional rail services.

SEATS put forward the view that Federal and State Governments should establish very clear objectives about promoting sustainable regional rail services and ensure that their Government owned corporations (like track access bodies) are committed to those objectives.

Currently there is a great deal of inconsistency in the extent of commitment by Governments and in particular Government owned corporations towards making regional rail work.

In relation to subsidies, SEATS are of the view that any Federal or State Government subsidies should be transparent and across the industry as a whole, not just given to individual operators.

Providing ad hoc or politically driven subsidies to individual operators distorts competition and makes it harder for efficient operators to actually make regional rail viable.

SEATS - Position Statement:

We must invest in rail freight networks.

Governments have no choice but step in and work to revitalize our rail freight infrastructure.

Government needs to facilitate private investment in rail and encourage other independent operators to invest otherwise we're not going to be able to service the future needs of the nation, and in particular the Regional communities of Australia

Trucks will simply not be able to move the predicted doubling of the freight task over the next 20 years; - we simply won't have enough drivers or enough equipment to do the job.

The pre-dominant role for Rail today, revolves mainly around bulk freight, but it has to take more of a lead with export containerization, intermodalism and with other types of freight.

A primary issue, particularly in the Eastern States is the poor state of the rail systems where we have gone through decade after decade of closing railway lines, letting ones that weren't closed deteriorate, and not planning and building our rail infrastructures for the future of our nation.

We sold off rail freight systems once owned by Federal and State Government bodies to private enterprise without adequate checks and balances on their responsibilities, to put us in the situation that we find ourselves in today.

When that happened our rail systems, and in particular our Regional rail networks further deteriorated and we put a lot of rail market control into the hands of private operators who were more interested in returns to shareholders than in ensuring the future of our rail systems. We are now down to very few rail operators, there is a distinct lack of competition, and the system is controlled by a few players who have significant market control

SEATS support the resurrection and development of our rail freight networks so that where possible and practical we can replace trucks on our deteriorating road networks and provide for the growing needs of our Regional areas.

We envisage the development of strategically positioned "rail hubs" servicing major freight customers who can provide the critical mass required for economic rail services, linked

through regional networks to the major freight corridors, Australia wide from which our regional communities can benefit.

EG: Major retailer Woolworths in a recent statement estimates that if an Inland Rail Link from Melbourne to Brisbane was built it would remove 300 Woolworths semi trailers from the roads each week. That new rail link would also pick up many of the regions en route, and assist in meeting the community requirements in future years.

A major constraint to getting more freight on rail is the high cost of network access. It is around 30% of the cost of using rail depending on the task, estimated to be some 6 times higher than that of a road vehicle.

Short haul rail access costs in particular for small trains from regional areas; (often the preferred rail logistics model) is prohibitive in being able to compete with a road transport vehicle.

The ARTC flag-fall access cost formula discriminates against short haul operations and smaller train sets and therefore also discriminates against regional businesses that want to and need to have regular rail services to their markets.

That does not mean that road trucks should be penalized to enable rail to compete, that would be counter productive and economically flawed, but there is an urgent need to invest heavily into rail infrastructure, intermodal freight hubs and rolling stock.

These investments will evolve into more available train paths, dedicated freight lines with more seamless access to our Ports, and lower rail costs.

Reducing rail access costs will encourage more freight to the rail networks, and we will benefit from less congestion when accessing Ports, less road trauma, a lower carbon footprint and better social outcomes for our communities overall.

Rail will naturally evolve as a more competitive logistics medium in many areas as road transport costs naturally and incrementally increase, however we cannot wait or rely on that for that to occur.

The primary issues facing road operators in the medium and long haul sector is the escalating cost of fuel, labour, compliance and increasing cost of access to road networks.

The progressive and cumulative affect on the road transport industry of these increasing costs will become an important factor in the competitiveness of road transport and we are likely to see the cost of medium & long haul road transport escalate significantly over the next decade.

For the regions and the nation to stay competitive it will need to find ways to reduce the impact of these imminent cost increases on our producers and exporters. It is appropriate that an effective rail network can and should be championed as part of the solution; however the regions cannot assume or wait for the costs of doing business on the roadways to mirror the cost of doing business on the railways.

The present situation is that the two largest rail operators on the eastern seaboard, despite having what amounts to monopolistic control over the networks have done little to promote these networks within their own businesses, to the contrary they have progressively scaled back and relocated equipment to other areas such as mining.

The regional areas are crying out for "independent" operators to step up and deliver to them regular rail services that will enable them to grow their businesses.

Government has a role to play in assisting these "independent" operators by either buying rolling stock and leasing it to those operators or with low cost funding for purchase of rolling stock, on the proviso that they commit to provide regular services to regional areas. The regional areas of Australia need rail services and they need them today, not in 5 or 10 years time.

Please find included the specific answers to the 22 questions posed by the NTC.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Chris Vardon".

**Chris Vardon OAM
Chief Executive Officer**

The need for Regional Rail Services in Southern Riverina - Our Vision for the future

Sutherlands Transport Services at Cootamundra can see that the Rail services to the Regional areas of NSW, without Government intervention will continue to deteriorate, to the point that the infrastructure will be completely under-utilized and will further degrade and the future logistics needs of these Regional communities will be neglected and prove to be unsustainable.

We envisage that the businesses in the Southern Riverina area should have multiple choice on what logistics service they can use to get their products to market.

The Riverina district of NSW is considered to be one of the most important food bowl areas of Australia.

Predominately known for its grains growing, timber and sheep and cattle industries, there are many value adding businesses which have established themselves in and around this rich regional area.

These businesses are processing meat, specialized grains, stock feeds, flour mixes and timber supplying Australia wide into domestic markets and the developing export markets.

Whilst the domestic markets in Australia are relatively static, the export markets continue to develop, in particular into China, India and the Asian regions. The growth potential for these markets is unlimited, and Australia has the accepted advantage of clean water and produce, not always available in the developing world.

Of primary concern to many of these important regional businesses is; how do we supply to our customers in a reliable and cost effective manner that enables us to grow and prosper?

The Riverina district is predominately dependant on trucking to move its produce to customers within Australia and to the export ports. Port access costs, the cost of access and the ability to access in a timely manner is proving to be a major hurdle to many exporters in trying to service their markets.

Trucking has serviced these industries well in the past, and will continue to do so; however the trucking industry will not be able to meet the logistics requirements of the Regional businesses into the future.

Costs within the trucking sector are rapidly rising, drivers are in short supply, fuel is an unknown variable, road systems are not coping, and in some cases they are deteriorating, and trucks are a major source of environmental and safety concern.

Whilst we will continue to run trucks where appropriate, we will be focused on growing our rail capability to, from and within our service area.

With our need for logistics services doubling over the next 20 years, we will have to find ways to consolidate the logistics requirements of the regional areas and provide cost effective road and rail services, if these businesses that we service are to remain cost effective in servicing their markets.

The Riverina area of NSW is well serviced by a scattering of Intermodal Rail Terminals; however the network it is not serviced regularly or adequately by any of the available rail service providers and therefore quite adequate existing terminal infrastructure remains totally underutilized.

Today, (believe it or not) there is no regular rail service from the Riverina to Sydney Domestic and Sydney Ports Export markets.

The only regular rail service (daily) is operated by PN (Patrick's) who operate a train from Griffith to Melbourne via Wagga. This train operates within a closed access infrastructure

and has limited capacity which is predominately taken up by Casella Wines (Griffith), Visy and Cargill (Wagga) and Ettamogah freight, which is forwarded to Melbourne Ports.

Summary:

Sutherlands has engaged with Transport NSW to look at conducting a study on the rail & intermodal needs for regional NSW. We are hopeful that this proposed study will be done and we are hopeful that it will identify very specifically what needs to occur with investment and support to ensure the future of our regional rail networks and services.

We understand similar studies are earmarked to be undertaken in Victoria at the same time.

This overview of the logistics needs of the Southern Riverina district is intended to be non political.

It is intended to bring to the notice of the decision makers and those of influence over the future direction and outcomes that there is an urgent need to re-assess what has occurred in the Southern Riverina area with regard to sustainable logistics solutions and in particular with rail based solutions.

It is intended to encourage Businesses, Communities and Government to consider the **“triple bottom line” (community, infrastructure, and sustainability)** and ensure that the future logistics needs of the regions are properly thought out and that business and communities are not held to ransom by the desires and actions of the vested interests of a few.

Chris Sutherland.
Managing Director,
Sutherlands Transport
Cootamundra. NSW.

- **Contribution by Latrobe City Council: Donna Starkey**

Current example, of the complexity of getting regional rail systems established, and the need for Govt. to be supportive in assisting these initiatives.

Please find below a brief overview of our experience with the Gippsland Logistics Precinct to be included in the SEATS submission;

Latrobe City Council owns 64 hectares of land adjacent to the 7.64 hectare Gippsland Intermodal Freight Terminal (GIFT) in Morwell. Council's land has an adopted master plan (2005) which seeks to develop the whole precinct as a logistics precinct to service the Gippsland region and specifically to increase rail freight volumes in and out of the region.

Securing of the lease to GIFT has complicated the project significantly.

Initially, Council's vision has until recently was complicated by the lease of the intermodal freight terminal to Pacific National. The buy-back by the State Government of Victoria's country rail network, to facilitate maintenance work on regional lines and to progress major rail projects, provided an ideal policy environment in which Council in partnership with the Victorian Government can progress the Gippsland Logistics Precinct.

In 2008, Council commenced negotiations with V/Line to secure the lease for the GIFT, in 2010 it was agreed that due to complexities within the Regional Infrastructure Lease (RIL), it was appropriate for Council to negotiate directly with VicTrack to secure the land. Negotiations with VicTrack are continuing with the lease likely to be finalised in December 2010.

Council's objective is to use the long term lease and appoint an operator to run the logistics precinct including intermodal terminal. Securing the lease will enable Council to market the Gippsland Logistics Precinct and the Intermodal Freight terminal as one integrated precinct with multi user access.

In addition to working to secure the GIFT lease, Council has completed an Indicative Business Case, Project Plan and Marketing prospectus for the development of the site.

In addition, a Steering Committee has been established to guide the EOI process, members of this committee include Latrobe City Council, Regional Development Victoria, Department of Transport, V/Line, VicTrack and specialist rail consultants appointed by Latrobe City.

Throughout this process, it has been clear to us that government does have a role in rail freight, specifically:

- Providing enabling infrastructure to support rail freight activities
- Providing an appropriate policy context and incentives for rail freight development
- Assistance in facilitating development to a point at which it is attractive to industry

Donna Starkey.
Latrobe City Council

South East Australian Transport Strategy Inc (SEATS) answers to questionnaire:

Specific answers to the questions posed by the NTC in its current study:

“The role of Government in Rail Freight Investment:”

This study has particular relevance to the charter of SEATS and we thank you for the opportunity to submit our thoughts to you. We would be pleased to answer any questions or queries regarding our submission at any time.

Question 1:

What examples exist where the pursuit of social or political objectives still results in inefficiency in the rail freight sector?

When Government establishes ambitious targets for increased rail freight haulage but fails to provide appropriate resourcing in a privatized operational environment. In Victoria, there has been almost complete market failure in the intrastate rail freight sector - a dominant operator (PN) who controls the majority of the broad gauge rolling stock and a State Government network access system that is controlled by V/Line – a passenger train operator.

The increase in passenger rail services without increasing freight rail line infrastructure has severely limited options for rail freight operators. Freight trains must pass through Melbourne in the late night hours or early hours of the morning. This situation is in common in Sydney where passenger trains also have priority over freight trains.

If using Rail to access Ports; this impacts on the time taken from the factory to the destination with goods waiting on the 'rail freight window'. Trucks do not have these constraints and often by default become the preferred mode of transport for exporters, especially for many time critical products such as perishables.

This situation, whilst it exists, makes planning and investment decisions difficult to commit to.

Rail infrastructure requirements seem to have little political focus or clout.

Investment in Rail networks, if developed and maintained, that would have resulted in vastly improved productivity has been neglected since before the 1939-45 War.

EG: The last major upgrade to the railway between Goulburn and Yass was in 1928. In that time infrastructure has been allowed to deteriorate or disappear completely, the sidings and freight handling facility at Gunning and the rail links between Goulburn and Crookwell and Queanbeyan and Cooma have disappeared.

Question 2:

What are today's objectives for rail freight?

We need to meet the future demand for rail freight and ensure that it is efficient and competitive.

We need to provide certainty in freight paths and provide capacity for growth.

Our objective ought to be to try and transfer a reasonable proportion of contestable bulk and containerized freight to take pressure off our road networks.

We need to modernize and have more rolling stock, more locomotives and integrated freight networks and infrastructure so that it presents a competitive option to road.

Whatever we do has to be environmentally beneficial and help us reduce our carbon footprint.

There should be a cost-benefit analysis of the full cost of rail freight as against the full cost of long distance road freight in terms of use of energy, environmental impacts, road damage and the cost of road trauma.

This should also include an analysis of the various means of locomotive propulsion and of possible energy improvements within the road freight sector so that a true comparison between the logistics modes can be done.

Question 3:

Are there examples where productivity and efficiency objectives appear to have overtaken social objectives?

The socio-political objective of support for road freight has largely squeezed out rail in Australia, USA and Britain at least since WWII.

The privatization of rail freight was a failed attempt at efficiency. Aside from the short term monetary benefits to Government it has provided little but added costs to the needs of communities and the businesses that operate within those communities.

In Victoria, the broad commitment to rail has been dominated by increasing efficiencies in road transport, outdated equipment and the lack of any agency that markets rail and its facilitates as competitive supply chain solutions for our regions.

EG: The failure to reestablish rail services in the greater green triangle of S Aust & Victoria/Port of Portland to transport woodchip and logs to the Port of Portland.

Costing between \$75.0 M and \$100.0 for the resurrection of 100 kms of existing but deteriorated railway line from Mt. Gambier to Heywood that would link through to Adelaide and Portland was not deemed to be cost effective, despite the SA Govt. being prepared to invest significantly in the proposal.

At the time it was predicted that up to 5000 tonnes per day of woodchips, logs and other commodities could be transported on that re-opened line to Portland and other destinations, replacing some 160 truck movements per day on the regional road networks.

Question 4:

What other objectives explain government intervention in rail freight investment?

There are many factors that would explain Government intervention in rail freight investment.

This would include:

1. pressure from community stakeholders e.g.: (environment groups),
2. pressure from local government trying to maintain network infrastructures
3. excessive damage caused by trucks to those network infrastructures
4. community safety concerns
5. the needs of local business that require regular rail services
6. the concerns of residents in inner metropolitan areas and near ports who are subject to heavy trucking movements
7. the needs of particular industry sector groups to transport efficiently – grains & coal.
8. the desire to reduce road congestion and road trauma
9. a desirable modal shift from road to rail
10. to meet the future capacity requirements for the growing freight task

There is also a sustainable argument that there has been a lack of Government intervention in rail freight networks in the past as it is heavily influenced by the level of the power and lobbying by the road freight industry.

Question 5:

Where has government intervention in the rail freight sector corrected market failures?

The question is what constitutes market failure.

It could well be argued that Government through its inaction and expediency has actually created market failure in the sector.

There are some examples where Government has recognized that intervention was necessary.

The Victorian Government decided to “buy back” the below rail leases because the broad gauge track was being neglected

The Victorian Government’s recent buyback of the remaining part of the 45 year below rail infrastructure lease enabled it to resume control of track and some key intermodal facilities, but excluded operational rail assets which remained in private and essentially monopolistic hands.

The Tasmanian Government’s recent takeover of all freight activities from PN in 2010.

In other States there is little evidence of that occurring as investment has not yet occurred.

It is also arguable that the road freight industry does not pay the full cost of its operations, in terms of access costs, and it can be argued that the rail sector is “overcharged by the ARTC for access, so the access cost gap is much wider than it should be between the sectors. As it presently stands this situation is to the detriment of rail and makes it harder to justify investment in the rail sector.

Question 6:

What other forms of market failure should prompt government intervention in rail freight?

Where the private sector is unwilling to provide rail freight services on the grounds that financial returns do not justify trains, or where there is evidence of anticompetitive behavior.

Where an identifiable monopoly, or control of networks, train paths and terminals through aligned businesses constitutes a monopoly.

Where rail freight infrastructure is in the direct control of one operator and that operator controls unloading infrastructure, and applies not verifiable handling charges for rail and through that action forces competitors to unload outside the port onto road transport for delivery, unnecessarily adding costs to the supply chain.

A significant level of rolling stock being controlled by a few rail operators and those operators denying other operators the use of that equipment even if surplus to needs.

- **Government needs to purchase rolling stock for use by freight companies to open up competition.**

Other market failures:

- (a) The increasing use of roads to move the increasing freight task, contrasted by the static use of rail
 - This becomes necessary due to the lack of suitable rail path access / availability for freight movements and that we do not have efficient separation of freight from passenger use where necessary.
- (b) Lack of investment due to incomplete knowledge of freight paths available
- (c) Should be a single rail infrastructure manager for main line rail

Question 7:

When has government interventions failed to correct market failures in the rail freight market?

Following on from the previous Victorian Government’s example of the purchase of the infrastructure lease in 2008, to date it has been unable/unwilling to support either

enhanced freight services or to devise an innovative method of encouraging the private sector to invest with confidence in rail.

Grain traders who pack in Nhill, road transport to Horsham rail and rely on a regular rail service to Melbourne Ports for their export containers, don't know if the train is going to run or not.

- There is evidence that the rail operator concerned, who is naturally commercial in their outlook, is prepared to make last minute decisions to not operate a train if insufficient containers are available that day.
- The Exporter is left high and dry, misses the ship and his business is severely affected.
- It is not possible to "get another rail service provider" the only reliable alternative is by road, with trucks becoming harder and harder to source.

The buyback of rail assets from Pacific National also failed to correct market failures in two aspects

- The government paid for a degraded asset rather than compulsorily acquiring the asset when it had the opportunity.
- The Government took back the rail lines but failed to reclaim the rolling stock essential to competition. Pacific National moved these assets to other States or in some cases de-commissioned equipment and thus restricted its future use availability to the general market.

The Governments have failed to convert an acceptable level of movement of containers to and from wharves by rail and road trucks continue to supply the requirements of importers and exporters.

The NSW Government objective of 40% of freight by be transported to and from the wharf by rail is a long way from being achieved and it is not evident that any real progress has been made towards this stated objective.

There is little evidence of any additional investment in rail (many studies have been done thus far but little to show for those conclusions)

Intermodal terminals and in particular regional intermodal terminals have not been successful in getting a modal shift to rail in any meaningful sense. There has been some examples where particular volumes and circumstances allow it.

EG: (Visy Export Paper from Tumut) where rail was used in preference to road, because it was not possible to guarantee the supply of trucks required on a daily basis to complete the task. If the reverse was true, their first choice would probably be road trucks as they are seen to be more reliable and more efficient.

In this example, their decision making process, (rail vs. road), supply of equipment and the cost of that supply is paramount to the choice of mode.

In considering the best logistics outcomes and lowest cost options, putting a value on what is best for the community as well in any such assessment process is well down the assessment scale.

Question 8:

Do governments explicitly state social objectives to be met through providing rail freight?

If so, where are those objectives stated?

There is not evident that Government is explicit in stating social objectives be met through providing rail freight. In fact the reverse is true in that usually the short term economic and political imperative is preferred to the long term social outcomes.

There is no real evidence that Governments explicitly state social objectives to be met through providing rail freight. They are sometimes implied in general terms.

The exception was the recent completion of the Alice Springs to Darwin rail link. Despite its start up financial viability issues, in terms of its importance to nation building infrastructure many observers consider it to be a worthwhile, long term initiative by Government.

Question 9:

What examples exist of cost effective delivery of social objectives via freight rail investment? If so, what were the objectives?

The examples are hard to find.

There are many more examples of large and regular movement of freight by road trucks where rail could have played a role in the effective delivery of social objectives had it been properly considered.

EG: an example of that would be the transport of timber logs from Central NSW to processors in South West NSW where the rail solutions were disregarded in favour of road as not being cost effective.

- There was no consideration of the possible social impacts and the affect on regional road infrastructures in that "commercial" decision making process.
- Consequently long term contracts were let with a road freight operator to the detriment of the regional communities and the opportunity to re-create a viable rail network in that particular area.

A recent example of investment in grain lines in Victoria, allowing grain to be hauled by rail instead of overloading local roads, which are usually maintained by Councils.

If there is to be cost effective delivery of social objectives along with rail freight infrastructure improvements there needs to be a holistic approach.

Small scale improvements will fail.

Question 10:

What are the options for coordinating objectives?

The primary vehicle that exists as the best option for coordinating objectives, if and when defined would be through COAG.

The ALC may also be able to assist in coordinating rail freight objectives, as defined, however their charter is likely to be more driven by economic efficiency rather than valuing any of the social objectives.

It will be important to consider the supply chain linkages across the board required to service markets with other means of transport, and how freight rail may co-exist with passenger rail.

Question 11:

What are other relevant instruments?

A possible revamp of the constitution (if unable to achieve the necessary outcomes through COAG or Premiers agreements)

Question 12:

What are the most prevalent ways of government facilitating investment in rail?

We need Government to plan well ahead and to map out and understand what the nation requires to move freight to and from its markets. Look long term, well beyond the political imperative.

We need Government to put a value on our social objectives and we need to establish dialogue with big business interests, (not just mining interests) to ensure that the commercial decisions that they are taking also consider the social objectives of the communities with whom they are interfacing.

We need Government to acquire land if necessary for future strategically located rail and intermodal freight terminals

We need Government to formulate and facilitate contracts with rolling stock users, based on the need for rail services where a reasonable business case can be demonstrated, in particular in the regional areas.

We need Government to invest in track & other infrastructure, enabling port facilities to be rail capable and seamless and to provide support to strategically located intermodal rail hubs.

We need direct investment and provision of incentives to operators and their customers to use the rail systems.

- we do not want road users to be made competitive to rail by Government introducing inequitable charging mechanism's for road use by trucks.

Question 13:

Why are some instruments used more than others?

It is really a question for the individual Government's and where they set their agendas.

Some instruments are used more frequently than others for political and financial expediency.

The privatization of infrastructure and services is often a product of the government of the day not being in a position to immediately fund infrastructure or not wishing to bear the blame for price rises.

Financial considerations by investors, including government, will tend to militate against rail investment unless there is a clear bipartisan commitment to the development of rail transport as a national imperative.

Question 14:

When does economic regulation affect incentives to invest and act as a barrier to rail freight investment?

When a business's ability to generate reasonable profits that satisfy their shareholders expectations is impacted by regulation, the business is less likely to invest.

Conversely economic regulation limits the government's own ability to invest in infrastructure.

Regulation and competition from publicly owned infrastructure are a disincentive to private investment as this limits the profit potential for privately owned infrastructure.

Regulation creates uncertainty and is usually seen as a big stick approach and whilst it creates an outcome it is not always economically efficient.

The issue is not so much about regulation, but business confidence and market certainty as to long term government support for rail, which does require a full cost benefit analysis.

Question 15:

What are the current frameworks for balancing economic efficiency and social objectives?

Recent examples would be;

1. The operation and funding of VLine by the Victorian Government
2. Melbourne Rail Network operated by Metro Trains in Melbourne under franchise for the Government of Victoria

These particular examples relate to passenger rail outcomes and are mostly based on political objectives so balancing is not seen as a key driver.

Question 16:

What gaps exist in the current frameworks for balancing economic efficiency and social objectives? How can these gaps be addressed?

A significant gap that exists in the current rail framework for balancing economic efficiency and social objectives would include the separation of Freight and passenger train operations.

- This lack of coordination and the lack of dedicated freight lines to Ports see's freight run a very poor second.

The private ownership of the freight rolling stock sees the monopolistic use of power by the owner of the rolling stock, the port infrastructure and in some cases the freight terminals themselves.

Open access is denied and this distorts the market away from efficiency or social objectives toward private profit.

This gap can be addressed by the reacquiring of the rolling stock and port facilities by the government or the purchase of new stock in a similar way to the National Broadband Network

We need to do appropriate and robust assessments with, financial, economic and socio-economic inputs, hence the need for full cost-benefit analysis that includes elements that might be regarded as externalities.

Without full cost analysis that considers all aspects of the nations and communities needs across the board, rail will always come in last.

Question 17:

What guidance exists on how to choose the optimal policy instrument?

The National Broadband Network could be one model, and there may be others that are appropriate examples. The operation of VLine or the metro system could be another for the management of assets and services.

Many papers have already been written so it is a case of separating political objectives from robust economic assessments.

There is currently insufficient guidance on what should be the objectives to assist people to choose the optimal policy instrument.

Question 18:

What other things do governments need to be well informed about when selecting the optimal policy instrument?

Governments need to be well informed about:

1. The current state of rail infrastructure, rolling stock and transport hub infrastructure.
2. The needs of the potential business customers for rail freight (loading, unloading, timing,)
3. Current practices in the management of rail freight
4. Maintenance and improvement needs for rail infrastructure, rolling stock
5. Predatory practices and market distortion within the industry
6. The costs of infrastructure and rolling stock
7. The cost of access to the rail networks and the effect of those costs on the decision making processes by rail providers and the businesses that they service.
8. In regional areas, where are the best locations to establish rail terminals (hubs) that can cost effectively service a given regional area.
9. How to assess long term cost/benefit outcomes, who would be the beneficiaries, and who will pay.
10. The need to do post audits to see if objectives realized (after one yr of operation) and be able to assess impact on direct and indirect investment decisions.

Question 19:

What are the difficulties or gaps in identifying the optimal level of rail investment? How could the gaps be addressed?

The gaps centre on service specification and contract management and monitoring.

Our observations within the 3 previous questions have identified the gaps and how they may be addressed.

Question 20:

To what extent is the current guidance on evaluation and monitoring applied to rail freight investment? To what extent is rail freight investment monitored and evaluated?

In the Victorian example it is questionable whether evaluation and monitoring are well applied to Rail Freight investment.

- The experience with Pacific National has seen the State Government handed back significantly degraded infrastructure.

- Businesses are choosing road transport over rail because it does not deliver the required service at a competitive price.

Given the lack of rail investment and as a general statement it is probable that it is not monitored nor evaluated to any great degree.

The ARTC given their requirement to report on their activities, there is a level of “monitoring” and “evaluating” but their focus is on long haul rail infrastructures and most of their reporting centres on these areas without due consideration as to what is required in the regional areas and how access costs may be applied to those areas.

Question 21:

What existing guidance on evaluation and monitoring is appropriate? Where are the gaps? Where does it need to be more specific?

A key monitor would be rail paths availability, taken hourly and within the various rail segments in use in particular to and from our Ports.

We need to better understand network capacity and capability and its ability to handle future freight growth objectives

We need to address the areas of conflict due to passenger and freight’s common use of rail networks

We need transparency of available information (data and statistics) that will help us identify rail congestion hot spots and we need that information to be publicly available to assist interested parties in making solid investment decisions. Without that transparency investment is difficult and risky.

Question 22:

What are the issues around data availability? How can these issues be resolved?

A predominate issue is little if any public data available other than passenger timetables that would be specific or relevant to rail freight movements and access constraints.

We need to avoid accessing data on a piece meal drip feed and having too many parties involved as it makes the data assessing processes convoluted and inconclusive.

Whilst the ABS collects some relevant data and statistics, it cannot always be applied to a particular requirement to assist in determining a particular outcome. It is often general and historical and not specifically focused on what will be relevant.

The necessary full cost-benefit analysis on the requirements for our rail networks to meet the freight challenges of the future, along with a clearly statement of social objectives, will require extensive data on which to base the predicted outcomes and in turn investment profiles.

That data must be current and relevant and be able to be used to also identify the constraints and hurdles that have to be got out of the way of the progress that is urgently required in this important area.

**Chris Vardon OAM
Chief Executive Officer
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