

RESEARCH NOTE

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Rail freight agreement with New South Wales

Introduction

In December 2003, the Commonwealth and NSW ministers for transport [announced](#) that they had reached an agreement which will result in investment of \$872 million in the NSW section of the [interstate rail freight network](#), the Hunter Valley coal lines, and the Albury–Melbourne line (see maps).¹ The agreement will have important consequences for the rail and road freight industries as well as some broader consequences. This Research Note sets out the main elements of the agreement and identifies some likely consequences.

The Agreement

Key features of the agreement include:

- the Commonwealth-owned [Australian Rail Track Corporation](#) (ARTC) will lease for 60 years the section of the interstate network that passes through NSW, and the Hunter Valley freight corridors (see maps)
- the lease will include the lines servicing Sydney's ports, and will allow the ARTC to construct a dedicated access route for freight trains on the south-west outskirts of Sydney
 - the purpose of the latter is to eliminate delays to freight trains; they share the existing track with passenger trains that have priority in peak commuting hours
- the ARTC will manage the remaining non-interstate, non-Hunter country branch rail network on behalf of NSW, which will remain responsible for funding

- the ARTC will oversee investment of \$872 million between 2004 and 2008 on the leased track. The main components are:
 - \$180 million for the new southern Sydney freight line
 - \$145 million to expand the capacity of the Hunter Valley export coal network from 85 to 100 million tonnes annually
 - \$175 million for the line from the outskirts of Sydney to Albury
 - \$123 million for the interstate line between Maitland near Newcastle and the Queensland border, and
 - a further \$54 million for the Cootamundra to Werris Creek track as part of an inland route linking Melbourne and Brisbane.

Background

The agreement is best seen in the context of measures to improve efficiency in freight transport on the interstate rail network. A step towards this end was made with the creation of the ARTC. In 1997, Commonwealth and state governments agreed to establish a national track access body that operators could approach to negotiate access to the entire interstate network. This is designed to address the problem of train operators having to deal with a multiplicity of state authorities and regulations.

Even with the establishment of the ARTC, train operators are critical of access arrangements.² The ARTC can apply a single fare structure across the interstate network. But the ARTC has only limited control over

the network. The ARTC owns or leases much of the interstate network in WA, SA and Victoria but has only the right to sell access between Kalgoorlie and Perth, a working agreement with Queensland Rail, and does not own the NSW section.³

Consequences

The protracted delays in establishing the ARTC as a truly national track access facilitator has delayed track upgrading because the Commonwealth made the release of funds conditional on reaching agreement with NSW.⁴ The delays have undermined rail's ability to compete with road freight on the Melbourne–Sydney–Brisbane corridor. In particular, it has prevented progress on the crucial southern Sydney freight line. The lack of a dedicated line through Sydney is the single biggest impediment to a more efficient and competitive rail freight system between Melbourne and Brisbane. This is partly because passenger trains have priority over freight trains on Sydney's metropolitan lines, leading to delays and additional costs for freight train operators. The agreement will thus formalise the ARTC's role and responsibilities with respect to the interstate network in NSW and release funds for investment.⁵

Finance

Funding will come from the public and private sectors. The Commonwealth will inject equity of \$143 million into the ARTC while NSW will contribute \$62 million.⁶ However, most of the \$872 million will take the form of borrowings by the ARTC on the commercial money market. If necessary, the Commonwealth will act as guarantor so that the ARTC can raise the funds.⁷ With respect to the private sector, the National Rail Consortium (trading as Pacific National)—which Toll Holdings and Lang Corporation jointly own—has undertaken to invest up to \$50 million to upgrade the Melbourne–Perth and Sydney–Brisbane corridors to allow

double stacked⁸ trains to operate from Melbourne to Perth via Parkes, and to reduce transit times between Sydney and Brisbane. This undertaking was a condition of the combined sale of FreightCorp—the NSW government-owned rail operator—and National Rail, to National Rail Consortium.⁹

Conclusions

The agreement is likely to yield considerable benefits in forms such as lower rail freight rates, reduced growth in long distance trucking, lower costs of maintaining interstate highways, and faster travel times.¹⁰ The magnitude of these benefits is suggested by an [audit](#) of the interstate rail network that the ARTC conducted at the request of the Minister for Transport and Regional Services. The audit recommended investment of \$507 million to speed up freight trains (the Melbourne–Brisbane average is now about 50 kilometres per hour) and transfer two million tonnes of freight annually from road to rail. The audit estimated a benefit-cost ratio of 3.2 to 1 and identified additional capital works that would allow rail to win an extra one million tonnes of interstate freight. The financial benefits of reduced road maintenance would be shared by the Commonwealth and NSW governments under current funding arrangements.¹¹ In the case of the Hunter Valley network, the ARTC hopes to reduce track access charges for transporting coal by 20 per cent thereby reducing the cost of exporting coal through Newcastle.

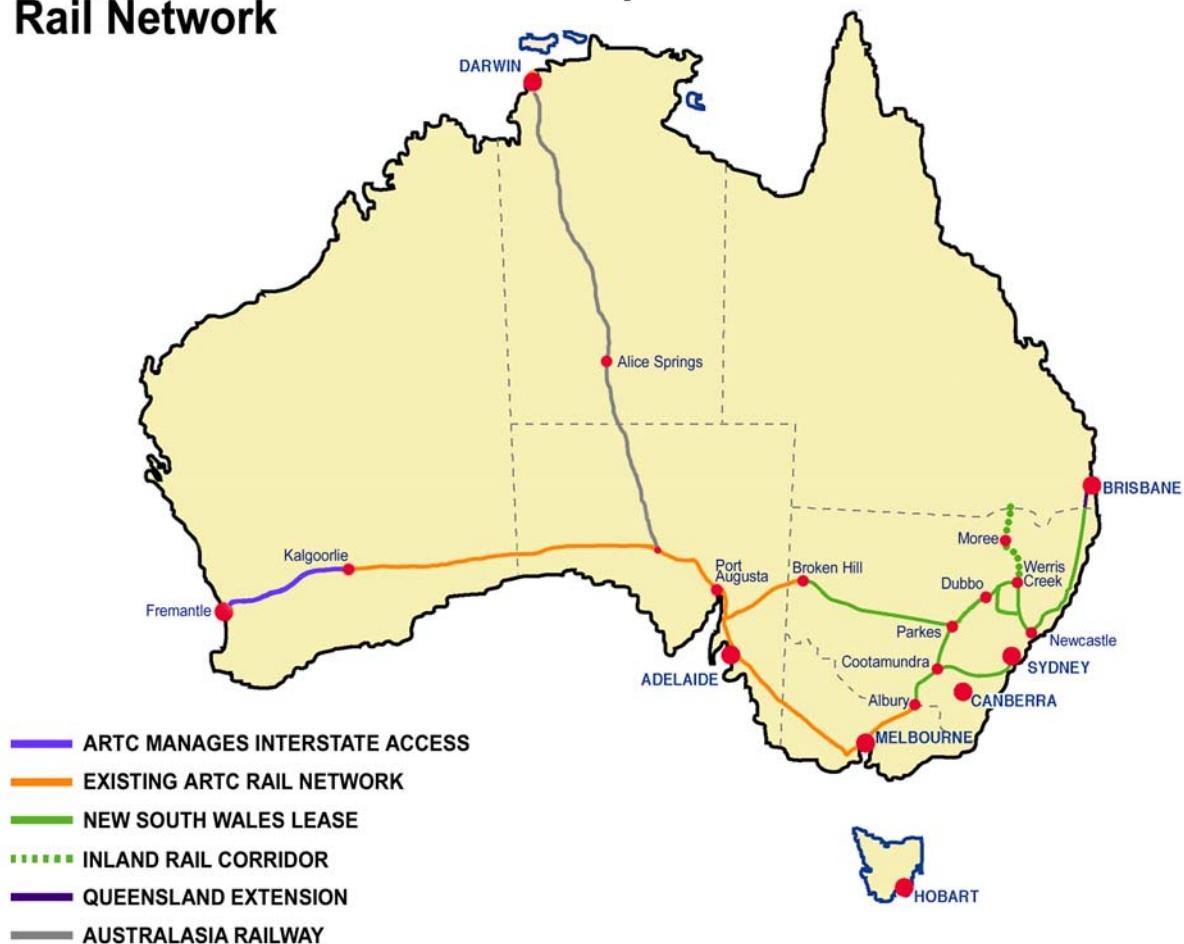
On the other hand, the improved competitive position of rail would place additional commercial pressures on segments of the road freight industry. As it is, falling freight rates and higher costs have reduced profit margins in the industry.¹²

Endnotes

1. Hon. J. Anderson, (Federal Minister for Transport and Regional Services) and the Hon. M. Costa, (NSW Minister for Transport), *Historic national*

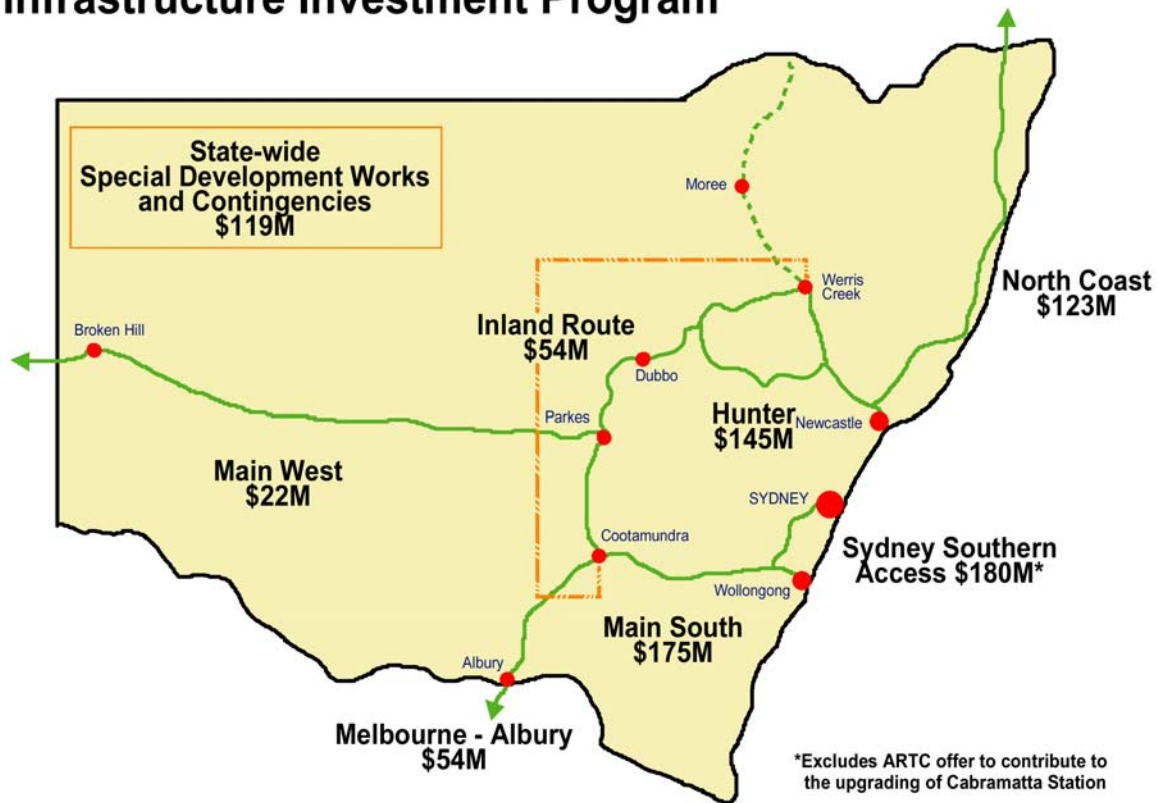
- rail agreement*, joint media statement, 6 December 2003.
2. Rail Projects Taskforce (Smorgon report), *Revitalising Rail. The Private Sector Solution*, April 1999, p. 16.
 3. See 'The Agreement in Summary' at http://www.ministers.dotars.gov.au/ja/releases/2003/december/artc_summary.htm.
 4. Even with the agreement, the problem remains of operators facing multiple and non-uniform safety regulation by state authorities. Further, technical standards and working practices still differ among rail systems, although there is a drive towards achieving national uniformity in this area through the Australasian Railway Association's code of practice review.
 5. NSW rail unions mounted a campaign against the proposal claiming that it will result in the loss of 3000 jobs. See Jim O'Rourke, 'Unions riled by country rail plan', *The Sun-Herald*, 10 November 2002.
 6. Hon. J. Anderson, op. cit. The Portfolio Additional Estimates Statements for 2003–04 for the Department of Transport and Regional Services show an equity injection of \$143.4 million into the ARTC.
 7. Personal communication with Department of Transport and Regional Services.
 8. Double stacked refers to trains consisting of flatcars with containers stacked one on top of the other.
 9. Hon. J. Anderson (Minister for Transport and Regional Services) and Senator the Hon. Nick Minchin (Minister for Finance and Administration), *Combined sale of FreightCorp and National Rail*, media release A7/2002, 31 January 2002.
 10. The proposal seeks to cut travel time between Sydney and Melbourne from 13 to 10 hours, and from 21 to 17 hours between Sydney and Brisbane.
 11. Under current arrangements, the Commonwealth meets maintenance costs on the National Highway while the NSW government meets them on Roads of National Importance (RONIs). The Hume and Newell Highways form part of the National Highway while the Pacific Highway is a RONI.
 12. Bureau of Transport and Regional Services, *An Overview of the Australian Road Freight Transport Industry*, working paper 60, December 2003, p. 75.

The Australian Rail Track Corporation Rail Network



Source: ARTC Annual Report.

The Australian Rail Track Corporation initial five year Infrastructure Investment Program



Richard Webb
Economics, Commerce and Industrial Relations Section
Information and Research Services

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