

Introduction

Purpose of the report

- 1.1 On 24 November 2000 the House of Representatives Standing Committee on Communications, Transport and the Arts held a seminar in Sydney to assess progress in rail reform. The seminar was specifically focussed on considering progress towards the benchmarks and timeframes set out in the Commonwealth Government's April 2000 response to various reports on rail reform, including *Tracking Australia* a report from our predecessor committee in the last Parliament.¹ A transcript of the seminar proceedings is at Appendix A.
- 1.2 Reform is a constant process. In most cases, strategies, procedures and structures can be improved upon in light of experience. Our intent in holding the seminar was to assess reform progress to date, identify obstacles to reform, judge the effectiveness of current strategies and provide an early warning of any difficulties that lie ahead. By doing so we hope to provide new impetus for reform in the industry.
- 1.3 In short, we want to help put rail reform 'back on track'.

1 See House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, 1998, *Tracking Australia: An inquiry into the role of rail in the national transport network*, July 1998 and Hon John Anderson MP, *Response of the Federal Government to Reports of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform ('Planning Not Patching' and 'Tracking Australia')*, *Report of the Rail Projects Taskforce ('Revitalising Rail')*, and *Report of the Productivity Commission ('Progress in Rail Reform')*, April 2000

- 1.4 In this report we reflect the main issues discussed at the seminar - setting out the ideas for future action that were proposed by seminar participants. While some concerns about localised track improvements were raised, we have taken the view that focussing on broader strategic issues is more likely to result in the breakthrough reforms needed to ensure that the rail industry realises its full potential. Issues such as the need to develop consistent approaches to industry planning, access and accreditation are the cutting edge issues in rail reform.
- 1.5 The successful management of these major issues may well resolve some of the more localised concerns reported to us, at the very least allowing better informed decisions to be made about investment priorities.

Background to the seminar

Progress in rail reform

- 1.6 We hold as a key principle that rail has an important role to play in Australia's present and future transport task. This was the basic premise of our report *Tracking Australia*. The rail network is a massive resource and presents a considerable opportunity to greatly improve Australia's transport network. However, it is an under-utilised resource.
- 1.7 We believe that there has been, and continues to be, a degree of negativity in regard to the rail industry amongst policy makers. It is commonly perceived to be outdated nineteenth century technology, not suited to the fast paced twenty-first century. Further, it is often perceived to be a 'basket case' with no hope of renewal.
- 1.8 Nothing could be further from the truth. The rail industry has shown itself to be dynamic, flexible and adaptive, and has risen to the challenges before it. It is important to recognise and promote the positive aspects of rail and to promote the positive contribution rail makes to Australia's transport task. If rail is to be given its proper place then both government and the general public need to be aware of the accomplishments of the rail industry and the benefits of a healthy and competitive rail industry.
- 1.9 Rail reform has been underway in Australia for some years at both the Commonwealth and State/Territory levels. Significant reforms have taken place in the areas of ownership of freight and passenger operations, safety regulation and operating standards, and access to rail infrastructure services.

Table 1.1: Key rail reforms since 1991

1991-92	National Rail Corporation (NRC) established to operate the interstate rail freight business in Australia.
1993-94	Australian National (AN) interstate freight business transferred to NRC. Provision of access allows two private operators, Specialised Container Transport and TNT (now Toll), to provide freight services in competition with NRC.
1995-96	State Rail Authority of NSW (SRA) restructured into four independent entities: Rail Access Corporation, FreightCorp, Rail Services Australia and a residual SRA. Queensland Rail Corporatised
1997-98	Freight and passenger rail operations of AN sold to Australian Southern Railroad (which operates the South Australian network), Great Southern Railway (which operates interstate passenger services between Perth, Adelaide, Sydney and Alice Springs) and Australian Transport Network (which operates the Tasmanian network). Australian Rail Track Corporation (ARTC) established.
1998-99	ARTC commences operation. Freight Australia purchases V/Line Freight from the Victorian Government.
2000	Westrail purchased by Australian Rail Group (Wesfarmers Ltd and Genese and Wyoming Inc). Australian Rail Operations Unit (AROU) established to progress the finalisation and implementation of Codes of Practice for use on the Defined Interstate Rail Network (DIRN)

1.10 The ARTC has upgraded the east-west rail corridor (linking Melbourne-Adelaide-Perth). This corridor now has around 74 per cent of market share, the highest rail market share percentage in the world for any comparable land freight corridor. It is estimated that the economic benefit of competition on this corridor to the WA economy is around \$60 million per year.² A reduction of 2 hours in transit time between Adelaide and Melbourne has been achieved by the ARTC through a combination of scheduling and operational initiatives alongside strategic engineering works.³ In addition, the South Australian, Victorian and Western

2 Submission No 10 (Australian Rail Track Corporation), p. 71

3 Submission No 10 (Australian Rail Track Corporation), p.53

Australian (through to Kalgoorlie) interstate networks are now working under a single access agreement and conditions of service.⁴

- 1.11 The ARTC has gone some way towards meeting Australian Transport Council (ATC) 'standards' for rail infrastructure and operations across jurisdiction on the national network, agreed to by transport ministers at the 1997 rail summit. The standards are:
- up to 21 tonne axle load: 115kph (max) or average of 80kph;
 - 23–25 tonne axle load: 80kph (max) or average of 60kph;
 - less than 2% of track under temporary speed restriction at any one time;
 - north-south corridor to accommodate 1500 metre trains; and
 - east-west corridor to accommodate 1800 metre trains.⁵
- 1.12 To date, these targets have largely been met in South Australia and Victoria. The benefits of meeting these standards can be seen in the definite improvement of operations on the east-west corridor.⁶
- 1.13 The Commonwealth has provided \$250 million over four years for infrastructure upgrading projects on the national network, particularly those related to ARTC performance targets described above.⁷ Although spending is behind schedule, projects in Victoria, South Australia and Western Australia are either completed, nearing completion or are in the marketplace ready to begin. The only major impediment to the rollout of funds has occurred in NSW, which was allocated \$124 million towards the Sydney freight bypass.⁸
- 1.14 Private rail operators now dominate the industry and they are also investing in infrastructure to improve operations. For example, Freight Australia (formerly Vic Rail) has invested \$30 million in rail infrastructure and has reopened the Sale to Bairnsdale line, which has resulted in 1000 tonnes per day of export log traffic being transferred from road to rail.⁹ Specialised Container Transport (SCT) has constructed warehousing facilities at Laverton (Vic) and Forrestfield (WA), at the cost of \$40 million,¹⁰ as part of their general freight service on the east-west corridor.¹¹
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4 Submission No 10 (Australian Rail Track Corporation), p.57

5 Submission No 10 (Australian Rail Track Corporation), p.52

6 Submission No 10 (Australian Rail Track Corporation), p.53

7 Transcript of proceedings, 24 November 2000, Sydney, p.6 (Greg George). The targets relate to train speeds, axle loads and train lengths.

8 Transcript of proceedings, 24 November 2000, Sydney, p.11 (David Marchant). We refer again to this issue in Chapter 2 under the heading 'Funding and investment'.

9 Submission No 4 (Freight Australia), p.24.

10 Transcript of proceedings, 24 November 2000, Sydney, p.37 (Mark McAvoy)

- 1.15 These examples indicate that rail has the capability to significantly contribute to Australia's transport task and that operators are prepared to invest in the industry.
- 1.16 As a result of the reforms in rail there is now a much higher level of private sector participation in the provision of rail services, increased productivity and competition, reduced freight rates and increasing specialisation in some passenger and freight markets.

Recent reviews

- 1.17 There have been a number of significant inquiries into the rail industry in recent years.
- *Tracking Australia: An inquiry into the role of rail in the national transport network*, from our predecessors on the House Committee on Communications, Transport and Microeconomic Reform in July 1998;
 - *Revitalising Rail: The Private Sector Solution*, from the Rail Projects Taskforce in April 1999 (known as the Smorgon Report); and
 - *Progress in Rail Reform*, from the Productivity Commission in April 2000.
- 1.18 Each of these reports acknowledged that reforms introduced throughout the 1990s had transformed the structure and operation of the rail industry. They also universally concluded that further reform was essential for the survival of most Australian railways. The areas of further or accelerated reform included:
- land transport planning;
 - increased investment in the interstate track;
 - better management of and access to the interstate track;
 - competitive neutrality between private and government owned operators;
 - competitive neutrality between road and rail;
 - fragmentation of schemes providing access to rail infrastructure; and
 - inconsistent operational and safety regimes.
- 1.19 In April 2000 the Commonwealth Government provided a consolidated response to these reports. In its response the Commonwealth acknowledged the need for continuing reform and, while noting that responsibility for management of the industry resides with many parties,

pointed to the importance of considering the development of the industry from a truly national perspective.

1.20 With this perspective in mind the Commonwealth set a number of reform benchmarks and timeframes and benchmarks to be met by the rail industry. These include commitments that:

- if track access arrangements, as pursued through the Australian Rail Track Corporation (ARTC), are not working effectively by mid-2001, a will new institutional framework will need to be developed. This may involve a network manager based on Commonwealth legislation, if necessary and practicable;
- \$250 million would be allocated over four years to upgrade interstate rail infrastructure, conditional on the achievement of a single point for access to the interstate infrastructure; and
- if current State-based arrangements for the mutual recognition of accreditation are not effective in achieving national consistency by mid-2001, the Commonwealth will consider establishing a new regulatory body for accreditation, standard setting and safety regulation on the national network.

1.21 Additionally, the Commonwealth indicated that it would:

- continue with plans to sell its interest in National Rail;¹²
- commission the ARTC to undertake a network performance and investment audit of the interstate track to better quantify investment needs; and
- establish a national rail accident investigation unit within the Australian Transport Safety Bureau.

1.22 We fully support the need to continue the reform process and recognise that the benchmarks and timeframes described by the Commonwealth impose a useful discipline in the process.

1.23 The steps needed to fulfil these further reform measures were the focus of discussion at our seminar.

12 We understand that the Commonwealth and NSW Governments are currently discussing the possibility of parallel sale arrangements for National Rail and the NSW Government owned FreightCorp.