

FREIGHTCORP

**SUBMISSION TO THE INQUIRY INTO
INFRASTRUCTURE AND THE
DEVELOPMENT OF AUSTRALIA'S
REGIONAL AREAS**

INTRODUCTION

This paper addresses the following issues:

1. FreightCorp Overview
2. FreightCorp Investment in Infrastructure
 - Regional Freight Centres
 - Role in Servicing Regional Industry and Agriculture
3. Issues for Investment
 - Current Infrastructure Condition
 - Past Investment and Implications
 - Investment Required
4. Barriers to Future Investment
5. Benefits of Investment in Rail
 - Rural Economy and Employment
 - Environment
 - Safety

RECOMMENDATION

Significant investment is required by the federal government into rural railway infrastructure to address the impediments to rural development.

FREIGHTCORP OVERVIEW

Freight Rail Corporation (trading as FreightCorp), was established as a State Owned Corporation of the NSW Government on 1 July 1996. FreightCorp is a rail based freight services company. It hauls bulk commodities such as coal, grain and minerals and general freight such as cement, petroleum and containers. FreightCorp provides services to other operators including the lease of rollingstock and crew, and the sale of fuel. In seeking to add value to its customers' businesses, FreightCorp also provides logistics services.

FreightCorp services a wide range of customers including primary producers, mining companies, manufacturers, heavy industry and shipping companies. FreightCorp key commodities are coal, grain, minerals and limestone.

FreightCorp is currently the largest standard gauge rail freight operator in Australia. To sustain its performance and add value for its shareholder, FreightCorp recognises that it needs to pursue profitable business growth throughout Australia. By focusing on reform, service delivery and strategic alliances, FreightCorp has positioned itself to pursue profitable growth in new and existing markets in and beyond NSW.

FreightCorp operations play a vital role in the NSW economy. A significant volume of tonnage hauled by the Corporation is exported. The value of these commodities in 1997/98 was estimated at \$5 billion.

FREIGHTCORP INVESTMENT IN INFRASTRUCTURE

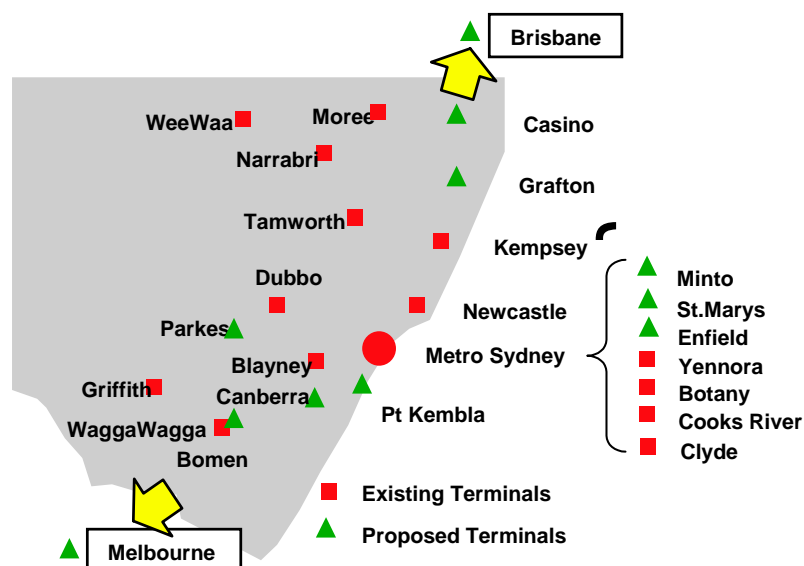
FreightCorp assists rural development through investment in rural infrastructure and services.

Regional Freight Centres

FreightCorp has developed and is implementing strategies for business growth generated through a modal shift from road to rail in the contestable market area of containers. This business strategy is called FreightCorp Portlink.

FreightCorp Portlink has the potential to deliver significant infrastructure and logistics benefits to NSW. These include the delivery of a modal shift (from road to rail) identified as a target in the Government Freight Strategy, a reduction of investment in road infrastructure which may be necessary to facilitate 70% growth in Port Botany volumes over the next 10 years and the contribution to a more efficient waterfront. FreightCorp Portlink underpins regional development and growth of exports, and ecologically sound freight transport by utilising the respective benefits of rail and road transport.

FreightCorp has a substantial regional terminal network developed and managed through key alliances, which underpins regional development.



FreightCorp has contributed to the development of regional areas through the following recent investments,

Terminals

- Blayney Freight Terminal
- Canberra Yard Container Terminal
- Clyde Yard Intermodal Terminal
- Dubbo Down Yard Freight Terminal
- Griffith Freight Terminal
- West Tamworth Freight Terminal
- Port Kembla Intermodal Terminal

Regional Facilities

- Port Kembla North One Spot Wagon Repair Centre
- Port Waratah One Spot Wagon Repair Centre
- Port Waratah Locomotive Servicing Facility

Role in Servicing Regional Industry and Agriculture

Rail freight plays a vital role in the NSW economy, hauling a significant volume of the State's export commodities.

FreightCorp operates coal services in the Hunter Valley and the Southern and Western Coalfields.

Grain harvests in NSW are highly variable in quantity. This creates particular problems to ensure adequate capacity for bumper years. FreightCorp transports most NSW export grain from country silos and storage sites to the ports of Newcastle and Port Kembla under contract arrangements with the Australian Wheat Board and the NSW Grains Board. FreightCorp also delivers wheat, barley, flour and canola to mills in Sydney and regional centres.

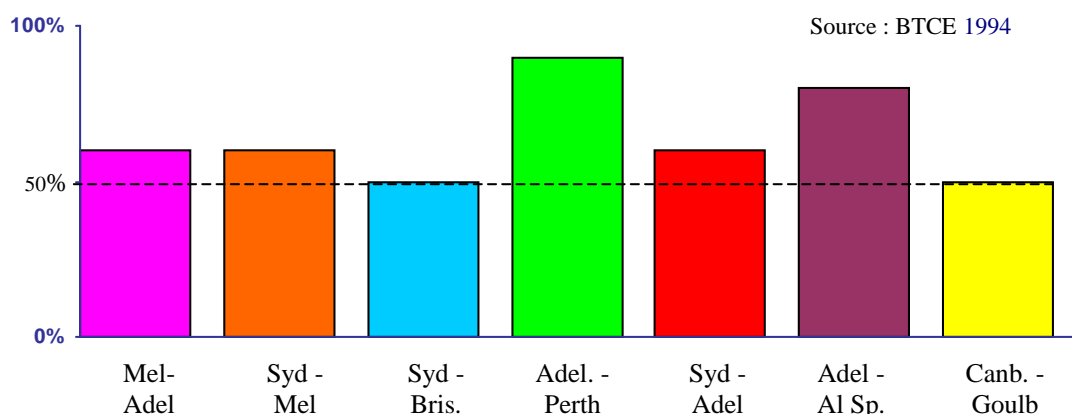
For export minerals FreightCorp hauls copper concentrates from Parkes and Blayney, and lead and zinc from Cobar. Containerised cotton from Moree, Narrabri and Warren, and rice from Griffith is also exported.

ISSUES FOR INVESTMENT

Current Infrastructure Condition

Australia's current rail network falls well behind world standards in terms of infrastructure.

Australian Rail Infrastructure against World Best Practise Standard



While investment has occurred in NSW and QLD coal corridors, investment in major intrastate and interstate rail corridors has languished and in many cases the gradients and alignments on these corridors are no different to those which existed in the lines of those first surveyed and constructed in the late 19th Century and early 20th Century.

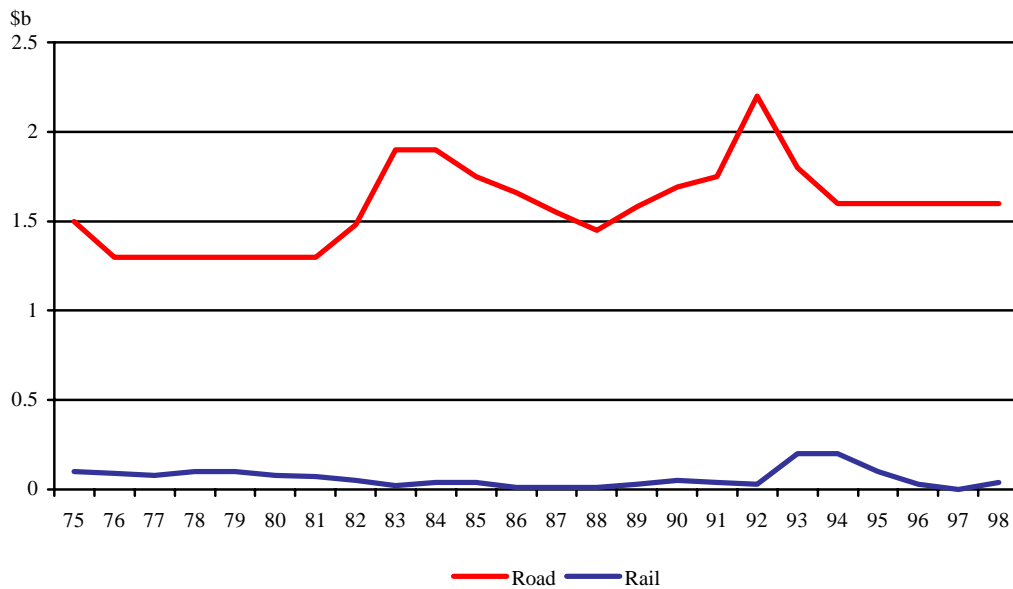
Federal investment in rail has focused on completing the Standard Gauge interstate network. Funding has not been available to substantially address:

- Light rail weights
- Poor sleeper condition
- Poor grades and curves
- Antiquated signalling

Past Investment and Implications

Federal government spending traditionally favours investment in road infrastructure as illustrated in the table below.

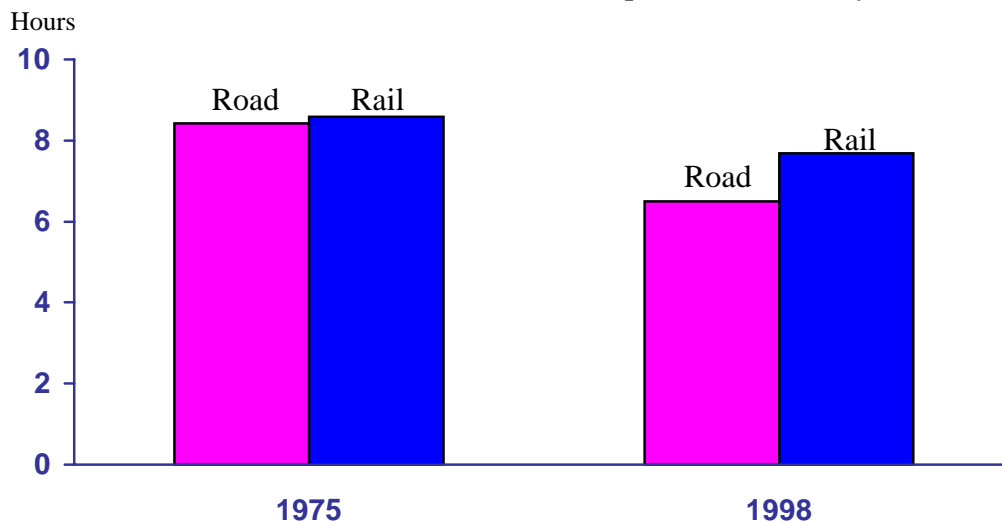
Federal government infrastructure allocation



Source: Macquarie Bank Corporate Finance, 1997

High investment in road has enabled greater improvement in transit times than for rail.

Transit Times: Campbelltown - Albury



Source: RTA, SRA, NR data

Investment Required

The Neville Transport Committee recommended that within NSW \$500 million be spent immediately (1998-2000) and an ongoing commitment of \$100 million/year for the period 2001 to 2011. FreightCorp welcomes the Federal Governments currently planned \$250 million investment in rail but believes that this amount is insufficient.

BARRIERS TO FUTURE INVESTMENT

Barriers

The current over reliance on road transport along the interstate corridors, particularly on the east coast, is not in the best interest of the economic development of rural Australia. The dominance of road transport is partly due to the inadequate weight given to relative externalities in road infrastructure investment.

Investment in ‘above rail’ capacity is not an issue on the NSW network as investments have occurred to match the demand of customers. The key priority is for significant investment in the ‘below rail’ infrastructure. There have traditionally been limited opportunities for this type of private sector investment in rail infrastructure. For government assets to remain financially viable government investment is essential.

Actions

The external costs of road transport compared to rail, and the cost of attracting traffic from road to rail, should be considered when making funding decisions and comparing modes. An integrated and consistent approach to funding across modes is critical.

A re-examination and re-balancing of investment in rail and road on the major interstate corridors would provide rural Australia, and indeed the entire country with an economic, environmental and socially improved transport mix. To achieve this the following actions are required:

- Implementation of the agreed National Land Transport Commission;
- Establishment of uniform regulatory investment regimes for road and rail; and
- Increased ‘catch up’ investment for rail.

BENEFITS OF INVESTMENT IN RAIL

Rural Economy and Employment

The railway industry provides significant employment to Australia's large regional and rural centres in the form of train operations, maintenance and manufacturing.

Rail organisations contribute to workforce training through the employment of apprentices and trainees. Regional centres and rural towns rely on custom from railway employees.

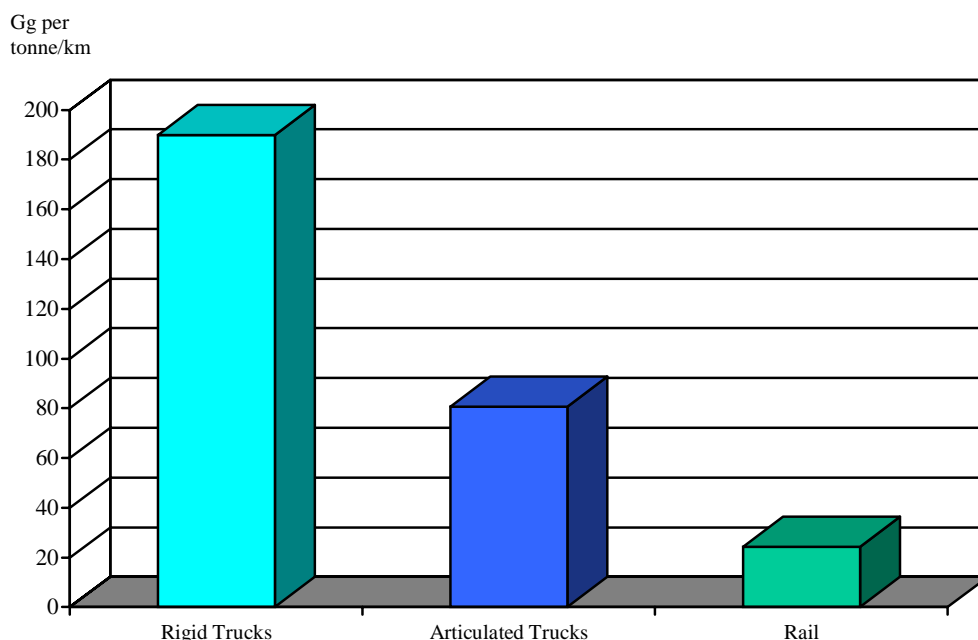
Research has shown that for every \$1million invested in manufacturing, 22 full time jobs are created with an additional \$1.2million in value-added production (information sourced by Industrial Supplies Office via ARA, 1999).

Rural economies rely on the substantial business generated by the export market.

Environment

Transportation is the third largest source of greenhouse gas emissions. Compared to rail, commercial vehicles are a much larger source of transportation emissions.

CO2 Emissions by Transport Mode



A shift in freight moved by rail instead of road would result in a material reduction in the current levels of greenhouse gas emissions. This is because rail is much more fuel efficient, and generates lower emission levels.

Change in Greenhouse Gas Emissions Rail Vs Road

	Road	Rail	Reduction
Emissions Gg/tonne km	80.6	24.4	70%

Safety

Rail freight transport is a safer alternative to road. In terms of fatalities and injuries, road freight has a higher injury rate than rail. Road freight averages 3.8 fatalities per billion tonne kilometres while rail freight averages 0.55 fatalities per billion tonne kilometres. Further, work patterns of road freight drivers have a higher fatigue index compared to rail freight drivers.