

SUPPLEMENTARY SUBMISSION NO. 164

INTRODUCTION

The RTSA is concerned about the capability of regional rail within some States – specifically, it believes that rail is not living up to the potential it can offer to producers, consumers and particularly regional communities.

Whilst mainline rail has issues related to performance, capacity and investment, regional rail operates on a different scale, in different markets and with its own peculiar operating environment. The nature of the task is significantly different to mainline operations and as such assessment about the viability of rail services and the adequacy of infrastructure need to be made in this context. The RTSA believes there may be merit in looking at segmenting rail service performance into separate classes for mainline, regional lines and branchlines.

The RTSA has particular concerns about regional rail services in Tasmania, Victoria, New South Wales and South Australia.

Although there is strong research in primary production and resource forecasting (including commodity pricing), there appears to be a lack of research of efficiencies in the regional logistic chains, in particular the capabilities and roles that each transport mode should play that brings producers and consumers (and export markets) together. Much of recent rail assessments (of branchlines); review existing traffic and its financial capacity to meet state-based agency operating costs (as well as fees to support cost of capital). This marginalizes wider economic opportunities such as the complementary tasks of each mode for improved efficiencies within the whole logistic chain, the social and environmental performances of particular modes and the spill-over effects that new frameworks for transport can have on regional communities. The RTSA commends an approach that looks at the total transport task of all primary production (and their inputs); the total life-cycle cost (maintenance) of road and rail, efficient use of infrastructure, as well as new rail industry structures that can improve productivity and deliver value to all in the logistic chain. A ‘business-as-usual’ scenario is not a viable option for regional rail in NSW, Victoria and South Australia.

The RTSA believes it has a technical understanding of the performance requirements and some appreciation of the operational / infrastructure conditions necessary to translate capability into rail service performance. Although infrastructure and operational capability are necessary, by itself this is not sufficient for rail viability. Measures associated with local governance, linkages to other parts of the logistic chain, government regulation and access to capital are also necessary.

The RTSA is keenly aware of the value that rail can offer within the logistic chain by working with customers, other transport modes and grain / terminal handlers and believes it can make a relevant and significant contribution to the debate for improvements in the integration of regional rail and roads and their interface to ports.

New Models for Regional Rail

Both the US and Canada have successfully segmented rail freight services into Classes; Class I for Mainline, Class II for Regional Lines and Class III for Short-lines¹. The quality of service and cost structures for each class is different.

This segmentation has resulted in improved transport and societal outcomes for regions as well as improved regional economies, albeit after some rationalisation of rail lines. Although this is evidenced-based policy of the success of Short-line operations, and although there are many similarities between Australia and Canada (particularly in terms of distances and grain production) there are also some distinguishing differences. These differences relate to markets (Canada has significant trans-continental land transport with the US) and as well as patterns of transport (Australia is an island continent with peripheral ports and hinterland production). Differences of geography and culture / history also apply between Australian states. For example South Australia has short distances from port to production, whilst NSW has the Great Dividing Range to traverse to access Port Kembla or Port Waratah. Historically Australian rail lines reflected settlement / state development patterns from colonial times. Victoria and NSW, in particular, demonstrate radial systems from each capital city rather than a regionally inter-networked system.

¹ American Short Line and Regional Railroad Association categories Class I as revenues in excess of \$US250M, Class II as revenues greater than \$US20M and less than \$US250M and Class III as revenues less than \$US20M (indexed to 1991 dollars)

Western Australia also provides evidence of successful restructuring of regional rail, including strong stakeholder support. The WA experience of placing regional rail on a sound footing (and the benefits that flow) stands in contrast to some other jurisdictions.

As part of the Inquiry's deliberations it may be useful to consider rail market and service assessments (including regulation and infrastructure) as:

- 'Mainline' - major corridors that service large origin / destination volume and distances and inter-network into intermodal / port terminals.
- 'Regional' - as corridors that have significant origin /destination volume and distances and may use mainline rail infrastructure for part of the service. They may provide direct access between regional terminal / silos and ports or may inter-network with intermodal terminals and logistics companies.
- 'Short-line'- as lines that provide access services to customers premises and regional terminals / silos. As a generalisation they inter-network at a service level with mainline and regional operators and logistic companies (i.e. they transfer freight / wagons rather than running on mainline infrastructure).

The infrastructure and services for each class may be:

Class	Max Axle Load (Tonnes)	Speed (km/hr)
Class 1 (Mainline)	25	>80
Class 2 (Regional)	23	60
Class 3 (Short-line)	19	40

This classification should not be considered prescriptive; the intention is to merely describe the nature of North American operations and possible application within Australian markets.

Babcock, Prater and Morrill² identified several determinants of short line success. They are:

- 'Adequate traffic density
- Experienced Management
- Reasonable purchase price for the track

² Babcock, Michael W.; Prater, Marvin; Morrill, John A profile of Short Line Railroad Success, Transportation Journal, 1994

- Adequate track quality
- Access to more than one connecting rail carrier
- Adequate capital
- State of local government assistance
- Flexibility in use of labour
- Cooperation in connecting to Class 1 rail carrier(s)
- Intensity of motor carrier competition'

In a similar vein, the same studies have collectively identified the following causes of short line railroad failure:

- 'Inadequate traffic
- Dependence on a single shipper or industry
- Poor balance of originated and terminated freight
- Inability to obtain adequate insurance
- Economic downturns
- Inexperienced management
- High Indebtedness
- Lack of Access to capital'

From these determinants it is clear that although grain can be base-load commodity traffic for many branch lines, having only grain without any other traffic may not secure the viability of these lines. Branchlines that can broaden their traffic base will play a wider a role in increasing scope and improving transport outcomes for regional areas. Having grain marketing or handling authorities (solely) managing short line rail services may not produce the optimum transport outcome, nor maximise farmer income.

Managers of the 450 US short lines (all under 250 miles in length) are generally optimistic about the short line industry³.

³ Johnson, J. C., McClure, D.J., Schneider, K.C. and Wood, D.F. Short-Line Railroad Managers Discuss their Industry, *Transportation*, 31 (1): 97-123, 2004.

The RTSA notes the importance of exports markets in creating wealth, and the focus of the Prime Minister's Task force on Export Infrastructure. The RTSA suggests however that measures to improve export infrastructure should also support wider regional transport outcomes.

Similarly, North American evidence does not appear to support Third Party Logistics (3PL) organisations becoming a vertically integrated chain within the short-line sector. However corporate Australia we are seeing strong logistic chain integration on the mainline (from port to intermodal terminal to rail and road and with track and trace information systems). The strong evidence is that small to medium enterprises (SME) or co-operatives running high volume, low value goods over long distances in regional areas deliver value within the overall logistic chain.

Efficiencies of a Vertically Integrated Operation

The RTSA considers there is strong engineering merit in the efficiencies of the 'rail-wheel' interface. This interface means that the one firm provides locomotive power (and sources wagons) as well as controls the maintenance of the infrastructure – the one firm matches the engineering performance of rolling stock to 'fit-for-purpose' infrastructure to deliver optimised rail safety and service performance. Firm-level efficiencies produce benefits for rail operators and value (expectantly) to customers.

The RTSA also supports on rail competition for mainline operations (Class 1), including intermodal transfers, competition between operators on track, and 'open' track access regimes (although we see a lack of competitive neutrality between road and rail as hampering rail's long-term viability). The value of competition (specifically 'open' access) needs to be tested against the efficiencies of an integrated system within the overall logistic chain.

The RTSA believes that improvement in productivity for regional rail will not come from open access regimes but wider institutional reforms. Monitoring abuse of market power and pricing (by the ACCC) are likely to be more effective in promoting competition for regional lines than open access regimes.

Labour productivity inherent in SME's, and the opportunity for dynamic efficiencies with new technologies, strongly linked to customer demand and within a new framework for regional rail operators offers higher prospects of overall productivity.

Fledging technologies such as Remote Control Locomotives, 'Piggyback Trailers', 'Iron Highway' articulated trains, 'Cargo Sprinter' units and new road-to-rail side-loading systems all have an opportunity to contribute to transport productivity for regional areas.

The RTSA commends the Inquiry to consider regional and short-lines lines as vertically integrated systems, although recognising the rights of the Crown to protect long-lived rail assets for future generations. The RTSA also recognises the transitional nature of the NSW system with current ARTC management and the need for any regional / short-line operator to develop capability.

Choice between Rail and Road

'What is the optimum distance for which rail should take over from road?' A number of studies⁴ provide anecdotal opinion for grain transport (GIAC between 30 –160km for road, NSW Farmers Association 0-150km for road but if lines upgraded roads 0-50km). Others use econometric modelling to determine 'efficient' cost structures (allowing for social and environmental externalities) as justification of particular modes. Ensuring costs (sunk capital, total life-cycle maintenance, operating and societal costs) are reflected in prices is a constant challenge for transport planners.

The RTSA supports the Australasian Railway Association (ARA) research on 'above' and 'below' rail costs⁵. These are:

Operator Costs (above rail)	
Operating	1.96 c/ntk
Capital	0.44 c/ntk
<i>Total</i>	<i>2.40 c/ntk</i>

Infrastructure Costs (below rail)	
Operating	0.66 c/ntk

⁴ NSW Grain Industry Advisory Committee, NSW Farmers Associations Green Paper.

⁵ ARA - The Future for Freight Exhibit 4

Capital	0.36 c/ntk
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Externality Costs⁶	
	0.13 c/ntk

These compare favourably with 'above' and 'below' road costs of:

Operator Costs (above road)	
Operating	3.10 c/ntk
Capital	0.85 c/ntk
<i>Total</i>	<i>3.95 c/ntk</i>

Infrastructure Costs (below road)	
Operating	0.96 c/ntk
Capital	0.48 c/ntk

Externality Costs	
	0.73 c/ntk

These costs are based on mainline operations and post- 'rail reform'. No doubt these 'costs' vary somewhat for regional type services as opposed to mainline services but nonetheless are valid indicators.

If regional rail services did not pay infrastructure capital, but paid infrastructure operating (maintenance) costs, efficient rail costs would be 3.06 c/ntk compared with above road costs of 3.95 c/ntk. This would enable rail to focus on above rail efficiencies in its competition with road (and in its complementary role with road) rather than the added burden of paying a return on infrastructure capital.

⁶ ARTC Track Audit, Appendix A, page 24, Table 24 has externality costs of 0.04 c/ntk for rail and 1.123 c/ntk for road

To gain a more cost neutral position between modes, to promote efficient use of infrastructure, and on an equity basis with roads the RTSA commends the Inquiry to consider cost of infrastructure capital (or sustaining capital) should not feature in access pricing on regional rail.

In terms of externalities, the RTSA has long campaigned (and continues to do so) on the strengths of rail's environmental and social performance. Figures from the above table indicate that between road / rail competition, rail outperforms road by nearly 6 times.

For regional communities the impacts of external costs can be tragic. Road trauma and deaths are a heavy burden on any community. Measures to reduce road trauma and deaths are obviously welcomed by the RTSA. The RTSA believes that rail has an opportunity to assist in mitigating accident costs if the 'appropriate' mode is used for the 'appropriate' freight task. Although B-Doubles and B-Triples offer higher productivity for road operators, the RTSA is concerned that externality costs are not properly accounted for in infrastructure decisions. The RTSA believes all externality costs should be taken in account in cost-benefit analysis.

Booz Allen & Hamilton (and Meyrick and Associates)⁷ have both discussed the choices between using road and rail for short haul. Their research appears to indicate that although price is the major consideration in preferences, non-price considerations added together are more significant (price is weighted 42% of the choice decision, transit time weighted 15%, reliability 23% and service availability 19%). Providing a more competitive neutral position on infrastructure access pricing would enable regional rail to focus on service performance in its struggle for viability.

Although there is strong research on agricultural production, world demand and commodity price forecasts, the RTSA believes there should be more research on Origin / Destination (O/D) patterns that looks at regional logistic chains from producers to consumers (both locally and to ports / cities, including transport of inputs into agricultural production).

⁷ Meyrick & Associates Rail Freight Price Elasticities (2006) prepared for Essential Services Commission Victoria. Booz Allen & Hamilton Consulting, Inter-state Rail Network Audit, Evaluation Methodology Appendix A, Prepared for the Australian Rail Track Corporation (ARTC), April 2001

This research would inform regional communities for example, as to efficiencies within silo out-loading systems and its significance within the grain chain from farm gate to port⁸. Other emerging regional industry examples such feedlots (and the grain inputs) required for bovine production, viticulture, timber and mineral sands. This research would be useful in defining the complementary roles of road and rail, the (dis) utility of interchanging and the impacts on infrastructure and communities.

This research would be different to those of transport corridors (as on mainlines between capital cities). It would be more complex, in looking at production and consumption centres as part of a regional network (across jurisdictions).

This research would assist communities and government in the development and reconfiguration of transport infrastructure and provides some basis of long-term planning.

Worthy of special and separate consideration is the transport by rail of dangerous goods, in particular fuels and fertilizers. Given recent security concerns around the use of fertilizer for making bombs, transporting fertilizer by bulk rail, with track and trace technologies, away from major cities should be assessed.

Participatory Governance

The RTSA does not like to see any branchlines closures – it is a promoter of rail technology.

The RTSA does recognise that a growing and viable regional rail sector can only be based on a shared vision with regional industries and communities, and with institutional support from government. The RTSA would like to see more, not less regional rail services.

The practice of regional subsidiarity⁹ needs to be strengthened. Although closures of rail lines are inevitable in changing patterns of transport, so should the development of new lines. Providing the opportunity for regional communities to have ‘a say’ and to have ‘a go’ at operating rail services should be promoted at both the federal and state level.

⁸ BTRE Working Paper 66 looks at Road O/D for AusLink but not rail or logistics chains. Canadian Transport Research Forum 2000 paper [Towards Optimal Rural Road Abandonment and Upgrade Strategies for Saskatchewan](#) looks at profit maximising from farm gate to silo but not to port.

⁹ ‘Subsidiarity’ is the idea that a central authority should have a subsidiary function; performing only those tasks, which cannot be performed effectively at a more immediate or local level. Subsidiarity is ideally or in principle, one of the features of federalism. (Wikipedia)

Capability to operate rail services within communities brings with it its own challenges. The establishment of efficient and sustainable regional transport systems confronts a serious problem of governance. There is currently no institutional platform from which regional rail businesses can be developed. In various ways, regional rail networks have been cut loose from their governing institutions, originally the state railway departments. The people who most value railway service, those with the most direct interest in efficient and sustainable regional transport, have no substantial organisational basis to work from. Australian local government is very weak by international standards for historical reasons¹⁰. The closure of rail services has amounted to 'cost-shifting' when local councils have no choice but to pay consequent increased road maintenance costs¹¹ but rail is not an accessible solution for them. The current Commonwealth Strategic Regional Transport Projects program offers an opportunity for local government to obtain funding, but it is based on unrealistic expectations of regional institutions. Although often expressing support for rail services, local government has rarely had any involvement in the rail industry. Rather, it has a strong tradition of road provision (as utilised by the Commonwealth's *Roads to Recovery* Program) and is not broad enough either spatially or functionally to undertake sustainable transport planning as envisioned by AusLink.

This vacuum presents an opportunity because, like the other elements of sustainable regional development¹², transport is most effectively planned at the regional level. Regional organisations exist now and there is evidence that more could be formed for transport planning¹³. However, being inherently weak organisations in the Federal system with a limited range of functions, such regional groups will need strengthening. Even in the UK, where local government has been relatively strong, the central government has chosen to maintain rail services at the local level by sponsoring partnerships among local organisations - the 'Community Rail' movement.¹⁴

¹⁰ Brown, A.J. Subsidiarity or Subterfuge? Resolving the Future of Local Government in the Australian Federal System, *Australian Journal of Public Administration*, 61 (4): 24-42, 2002.

¹¹ House of Representatives Standing Committee on Economics, Finance and Public Administration, Rates and Taxes: A Fair Share for Responsible Local Government, Parliament of the Commonwealth of Australia, Canberra, 2003

¹² Beer, A., Maude, A. and Pritchard, B. Developing Australia's Regions: Theory and Practice, UNSW Press, Sydney, 2003.

¹³ As indicated by the participation of Tumut, Gundagai and Cootamundra councils in an attempt to reopen the Cootamundra to Tumut line. See <http://abc.net.au/cgi-bin/common/printfriendly.pl?news/australia/nsw/riverina/200508/s1438473.htm>

¹⁴ See http://www.dft.gov.uk/stellent/groups/dft_railways/documents/divisionhomepage/039382.hcsp

In the realm of water resources, the development of Catchment Management Authorities, with planning powers and substantial budgets, has shown how planning sustainable development can be focused at the regional level. It should be examined as a model for establishing an institutional basis for sustainable transport, one in which people directly affected and aware of business opportunities can participate.

The RTSA also commends the Inquiry to study the facilitation role played by the Rail Advisory Services of the Saskatchewan Highway and Transportation Agency¹⁵, and the (Canadian) Railway Line (Short Line) Financial Assistance Regulation program.

Costs, Funding and Barriers

As previously indicated generalised rail costs are 0.66 c/ntk for 'efficient' infrastructure maintenance, and 2.4 c/ntk for 'efficient' above rail operations. For lightly used lines the Queensland Competition Authority¹⁶ provided information on the QR regional network for average and incremental maintenance costs. For lines with less than 1M tonne pa total maintenance costs are \$8,700/km, with incremental costs of 0.016c/gtk and variability of 2%. At 2M tonnes pa total maintenance costs are \$11,900/km, with incremental costs of 0.016c/gtk and variability of 28%.

'The percentage of overall maintenance cost that is variable with tonnage ... increases with tonnage. This reflects the relatively fixed cost structure at low tonnages, where there is very little wear and renewal, and the relatively variable cost structure at high tonnages where the majority of maintenance is concerned with replacement of worn out components.'

¹⁵ http://www.highways.gov.sk.ca/docs/rail_air/shortlines/shortline_advisory.asp

¹⁶ Table 4.1 & Fig 4.2 Working Paper 2 Usage-Related Infrastructure Maintenance Costs in Railways (Dec 2000)

It should be noted that these costs generally relate to 47 kg/m rail on timber sleepers and a reasonable formation.

It is clear that if track is in reasonable condition (47 kg/m or greater rail on sufficient ballast with good drainage) then maintenance costs are largely fixed and relatively insignificant. This is contrasted with road maintenance in which road damage is a geometric function of load (to the fourth power).

It is stressed however that although rail infrastructure costs may be insignificant, the condition of track is critical to service performance. Unlike roads, rail track has a higher critical engineering threshold, below which trains cannot operate. Road deterioration can be quite severe and widespread across the network and yet trucks can still operate, albeit at a much higher social (including road trauma) cost.

Good rail maintenance regimes are important for the long-term performance of rail infrastructure.

In terms of funding infrastructure or renewals, the RTSA believes that governments (both state and federal) need to take a lead role. Capital upgrades are a necessary but not a sufficient condition for regional rail viability. There is little evidence to suggest that regional industry or communities by themselves have sufficient financial capacity for infrastructure capital.

The RTSA commends the AusLink programme bringing together State, Federal and stakeholders in the logistic chain (including private finance) together for rail upgrades. The recent Strategic Regional Transport Project grant (\$126.8M) is a good start, but rail capability within local government needs to be improved for proper assessment and promotion of rail.

It remains to be seen if measures such as the Infrastructure Borrowing Tax Offset Scheme (and Tax Exempt Asset Financing Reforms) will be effective for SME's in regional rail. The RTSA further commends the Inquiry to study measures such as tax credits (as offered to Short-line operators in the US) in the promotion of regional rail.

Other strategic barriers to upgrading rural railways occur with accreditation, and gauge standardisation.

Rail safety accreditation in Australia across jurisdictions is proceeding at too slow a pace. In 2004 a National Rail Safety Accreditation Package (NAP) was developed that provided guidance on rail safety accreditation requirements and assessment criteria in relation to risk and Safety Management Systems (SMS)¹⁷. NAP is intended to complement AS4292 and in some instances supersede these requirements. Subsequently, the National Transport Commission (NTC) is considering what SMS and risk management requirements should be established in a model set of regulations for adoption by the states.

Although these guidelines and model regulations are performance-based using risk methodologies, their interpretation is still State-based. There does not appear to be a national regime by which rail operators who are successfully accredited in one State can have their accreditation recognized in another State.

Although each state has a right to interpret their own laws, rail operators are left with the burden of proving their performance-based systems in each jurisdiction.

The RTSA seeks to have mutual recognition of rail operators (as happens with truck registration and licensing) across Australia. The RTSA commends the Inquiry to recommend standardising rail accreditation (for the different rail class operators) across the States as part of the new round of national competition policy reforms.

Much has also been made of the different rail gauges in different States. Given the dilapidated nature of some Victorian lines, the RTSA would support standardization of selected broad gauge lines in Victoria as part of a renewal process. This gauge standardization would provide strategic benefits as Short-line and regional operators compete (in the long-term) within economic zones / regions rather than within state boundaries.

New South Wales Evidence

¹⁷ Working Paper Rail Safety Accreditation by Frank Hussey

The RTSA study tour of NSW visited grain-loading facilities on lines in the Parkes, West Wyalong and Riverina regions of NSW. The study tour allowed participants to meet with grain silo operators (from Grain Corp, Australian Wheat Board Ltd (AWB) and Australian Bulk Alliance (ABA), grain farmers, the Manildra Group, operators of intermodal terminals (FCL at Parkes, Patrick at Griffith) and Casella Wines (Griffith).

Grain Corp silos tended to be older facilities with limited load out rates and form part of a large, dispersed network. Some silos located on mainlines (e.g. Mungincoble at Parkes) can fully load rail wagons (to 100 tonnes gross). Most Grain Corp silos are located on branchlines (as seen at West Wyalong, Kikoira and Boree Creek) which, due to track condition can only load wagons to 76 tonnes gross (19 tonne axle loads or TAL) and have trains with lighter locomotives which tend to be older and underpowered. A few Grain Corp silos are located on branchlines that have been suspended from use (as at Weethallie on the Rankins Hill line).

The AWB silos (as seen at West Wyalong and Stockingbingal) and ABA silo (at The Rock) are new (5 to 10 years old), modern facilities designed for quick loading of trains (at 800 tonnes or more per hour) and road only receipt. However, the effectiveness of silos at West Wyalong and The Rock were constrained by their branchlines being restricted to 19 TAL. In the case of the ABA silo at The Rock, this was despite the being connected to the Sydney-Melbourne mainline (capable of handling 25 TAL) being no more than two kilometres away. It is odd that at the time of installation (around 1999) neither ABA (with its joint partner Sumitoto), or the Rail Access Corporation, or Freight Corp sought to make a small marginal investment to lay heavier rail for two kilometres. It is puzzling why this situation has persisted for so long, where ABA, the NSW Government and/or ARTC, and Pacific National have jointly declined to make the investment. It would appear that construction of a triangle and loop on heavier rail to give direct access to the Port of Melbourne (where most of the wheat from this silo goes) would be a good investment.

In the case of West Wyalong, a longer section of branchline with 19 TAL is used (via Temora and then to Stockingbingal). It was noted that at West Wyalong, some 53 kg/m rail (as opposed to old 30 kg/m rail) was in use, and the ballast appeared in good condition.

The RTSA believes that the rail line from The Rock to Boree Creek in the NSW Riverina demands special attention owing to its potential capacity to carry 360,000 tonnes of grain, its short length of 57 km and the minimum cost for upgrading to enable the line to carry wagonloads of grain at mainline axle loadings. Any closure of the line would result in a large increase in the use of trucks to carry grain to a sub terminal or port and the resultant higher consumption of diesel fuel. It has been shown in separate studies that trains use up to 6 times less fuel than a truck carrying similar loads.

The line has GrainCorp silo and dump storage capacity of 230,000 tonnes at Boree Creek, Lockhart and Milbrulong while the Australian Bulk Alliance facility some 2 kms from The Rock, has capacity of 130,000 tonnes making a total of 360,000 tonnes. The current line's rail loading of 19 tonnes per axle allows loaded 76 tonne gross grain wagons to be hauled by branchline 48 class locos the full length of the line from The Rock to Boree Creek, a distance of 57 km. Wagons of 92 tonnes gross capacity can be hauled to the silos empty but are unable to be fully loaded and must leave the terminal loaded to only 76 tonnes, some 16 tonnes below full capacity. Following the journey to The Rock, the train requires a change of locomotives to the mainline 81 class for the 400 km trip south to the Port of Melbourne or north to Port Kembla.

A similar situation applies to train loads from the ABA terminal at The Rock where there is a high loading capacity of 1200 tonnes per hour, however wagons can only be loaded to a maximum of 76 tonnes gross. This includes the new 100 tonne capacity wagons that only have to travel 2 km to The Rock where they can travel at their full capacity of the port. Furthermore, owing to current safe working arrangements only one train can occupy the track at any one time. This results in the most unsatisfactory situation where a train loading at Boree Creek prevents the loading of trains at the ABA terminal at The Rock.

At Boree Creek, a local committee (called the Boree Creek Rail Line Committee) representing the four local shires of Wagga Wagga, Narrandera, Urana and Lockhart has been active in attempting to persuade the NSW Government to not only retain their branchline (57 km from The Rock) but also upgrade it from 19 to 23 TAL. To this end, they had retained consultants (Rail Asset Management) to estimate the scope of work and cost to upgrade (\$11m \pm 30%) and had made a detailed submission to the NSW Grain Infrastructure Advisory Committee (GIAC). The Boree Creek Committee has made ongoing representations to government at all levels. The group was concerned that the GIAC calculated that the grain carried was 88,000 tonnes whereas GrainCorp and ABA have confirmed that the total is 122,000 tonnes per annum and predicted to increase to 170,000 tonnes by 2010. The RTSA believes that loads such as these are best carried by rail owing to rail's efficiency of carrying large loads over medium distances.

The consultants report has recommended the upgrading of the line to 23 tonne axle loading with a 40 km/h speed limit to allow mainline locomotive operation from Boree Creek or The Rock to Port of Melbourne or Port Kembla without the need for branchline locomotives. The cost of such an upgrade would cover the use of second hand 47 kg/m rail and the replacement of bridges with culverts. The completion of the south leg of the triangle at The Rock would also expedite train operations eliminating the need to reverse the locomotives on trains heading for Melbourne.

The RTSA endorses these recommendations as the benefits of the upgrading would allow 100 tonne gross wagons to be used to capacity, reduce the need to upgrade roads to B-Double standard, reduce the use of diesel fuel and the generation of excess greenhouse gases, allow the efficient use of rolling stock and locomotives and the optimise the use of funding for roads and rail in the area.

At Kikoira, grain farmers are able to lower their transport and handling costs by sending grain to a super-silo on a mainline (e.g. to \$5 per tonne cheaper). However, this is more than offset by the need to "keep the grain away from the header" which is easier when trucks to a local silo. In addition, it is sometimes difficult to get trucks to go to the main silo and get a quick turnaround time. Improving this line to give a 23 TAL would assist these farmers.

The issue of limited weight for wagon loadings also affect the Patrick Intermodal operations at Griffith. Their trains currently go via Leeton to Junee and Melbourne, but the line to Junee is restricted to 19 TAL. In their case, a modest increase to 21 TAL would give good benefits. The necessary investment in rail track would be very small when compared to the private investment of over \$150m by Casella Estate Wines to build a large new state of the art grape receival, wine making and bottling plant (12 million bottles a year of [Yellow-tail] wines), mostly for export to the United States.

The RTSA also had an opportunity to meet with the Lachlan Valley Transport Committee and identified with many of their concerns relating to branchline closures. This committee saw a new future for closed and marginalised branchlines, if only given the proper funding and business environment to operate under.

In the short term, there is a good case for rehabilitation of many branchlines based on avoidable (road) costs. The alternative is to see more and more freight move by B-Doubles on lightly constructed roads. The fact that rail operations are no longer vertically integrated means that government may need to work harder to seek contributions from beneficiaries as well as provide funds to facilitate upgrades that will enhance Australia's export potential.

In the longer term, with 'Twice the task', an east-west route from Melbourne to Perth capable of double-stacked containers should be selected. There appear to be five options with various costs and benefits.

- a) Through the Adelaide Hills
- b) Through Western Victoria and a bypass of Adelaide
- c) Through Tocumwal, Narrandera, Griffith, Hillston and Roto via Broken Hill
- d) Through Albury, Griffith, etc. via Broken Hill
- e) Through Albury, Cootamundra, Parkes and Broken Hill.

On completion of the ARTC's North-South Rail Corridor Study, identification of a preferred route and start of work on the North-South upgrade, an East-West Corridor study could be usefully undertaken by ARTC. Benefits from Option c) or d) above would include bringing in empty wine bottles from Gawler SA to Casella and exporting wine from the Riverina.

Victorian Evidence

The Kennett government's attempt to drag railways in regional Victoria into the 21st Century by privatising has had very mixed success. Freight Australia's modus operandi began with an impressive marketing thrust and was responsible for capture by rail of unlikely traffic such as regional intermodal freight and logs.

But after a period of consolidation where new employment practices were introduced and new capital rolling stock became available the infrastructure loomed as the next big challenge. To a degree, Freight Australia benefited by an infrastructure that at handover in 1999 was in reasonable condition. Railway infrastructure can be left unmaintained for short periods without dire consequences but Freight Australia continued to leave the infrastructure without serious maintenance.

Victoria has discovered now that its regional rail system now has a "maintenance deficit", identified in the current research undertaken by the Essential Services Commission and detailed in Pacific National's submissions in its Access Undertaking.

Essentially, a legacy has been created born out of either short term maximisation of profit motives or by a realisation that in most instances regional railways are unable to fully sustain the maintenance of their infrastructure in their own right.

This said, the fact remains that Freight Australia was able to attract business hitherto not recognised by earlier regimes, and with innovative solutions. Freight Australia received much support from local communities and businesses to do this.

Victoria failed to employ innovative practices for its track infrastructure maintenance, relying on 'old technology' timber sleepers when other sleeper types were available that would provide a superior long-term infrastructure outcome. Steel sleepers have saved Western Australian, Queensland and many NSW regional lines from incurring on-going expensive timber sleeper replacement.

The experiment in Victoria only had a few years to run its course. It displayed some flair and innovation and with some support for its infrastructure may have been successful. The reality is that there is too much track in Victoria for a sustainable operation and a pruning of the network will be required to maximise track traffic densities and to provide a revenue stream that will support that infrastructure. In addition, some modern track maintenance practices will need to be introduced, initially with effort but with longer-term advantages.

Tasmania Evidence

Tasmania's rail system does not have a 'mainline' component in the sense described for the mainland states. Rather, it should be considered as a totally regional system, within which there are both mainline (or trunk) and branchline components. With the exception of the isolated and separately owned and operated Abt Wilderness (tourist) Railway, the system is under the control of Pacific National (PN), with no separation at the wheel-rail interface, the track being held on long-term lease, and the above-rail infrastructure owned and operated by the company.

The recent evolution of Tasmanian logistics has seen shipping to and from the state being concentrated in the three northern ports of Bell Bay (Launceston), Burnie and Devonport. This has seen the Port of Hobart take a reduced role, to the extent that ships visiting Hobart are limited to imports of zinc concentrates and phosphates (for processing into zinc and fertilizers respectively), petroleum products (including LPG) for local consumption, and the occasional specific cargo visit. It is, however, one of the three major international ports for supply-shipping to Antarctic research bases, being used by France, Russia, the US and others, as well as being the home base for the Australian Antarctic effort, and its ship 'Aurora Australis'. It is also the pre-eminent port for cruise liners visiting the state, with perhaps 20-25 such visits per season.

The need for efficient transport linking Hobart (in the south of the State), with each of the three northern ports of Bell Bay, Devonport & Burnie, and of linking the mining area of the West Coast to the port of Burnie is clear – and in this, the role of rail is vital.

The rail system comprises a main trunk route, from Hobart to Burnie (367 km), with trunk connections from Bridgewater to Boyer in the south (14 km), and from Western Junction to Bell Bay, via Launceston in the north (73 km). There is also a West Coast minerals corridor from Melba and Rosebery to Burnie (130 km). The only branchline currently in operation carries coal from Fingal to join with the main trunk route at Conara, some 55 km south of Launceston. Coal moves by rail to industries in both the south and the northwest.

Closed branchlines exist at Scottsdale in the northeast (63 km), from Burnie to Wiltshire in the far north-west (80 km), and from Boyer to National Park in the Derwent Valley (42 km). Two closed short links also exist at the dormant Hellyer mine on the West Coast, and the Zinifex refinery in Hobart.

Importantly, all operational lines are non-seasonal, unlike many of the grain lines on the mainland. Indeed little or no use is made of rail by primary industry outside of mining.

The major traffic flows are:

- Container trains to and from Hobart and Burnie and / or Bell Bay (and to a lesser extent, Devonport). Generally 1 return train on each of 6 days per week (dpw), 40-50 wagons, but up to 70 wagons. Loadings include considerable quantities of zinc ingots from the Zinifex refinery
- 'Paper trains' carrying newsprint from Boyer to Burnie (5 dpw) or Bell Bay (1 dpw), and returning with recycled newsprint ex-Albury for re-use in the papermaking process. 33 wagons of paper, plus additional loading of coal and some container wagons: about 50 wagons total.
- Coal carriage from the Fingal Valley to the Northwest Coast and to the Boyer mill, attached to mainline trains at Conara.
- Frequent trains (up to 7 per day) carrying bulk cement from Railton to Devonport for export to the mainland
- Mineral concentrate trains to Burnie from the Rosebery Mine, and from a transfer facility at Melba Flats (about 11 return trains per week of about 25 wagons). This traffic was carried on the Emu Bay Railway (EBR), which was, until 2000 independent of the rest of the Tasmanian railway network

There is currently no significant cartage of logs by rail, either eucalypts for chipping or pine for paper-making at Boyer, but there is still potential to re-establish such loadings, particularly related to a new pulp mill proposed for the lower Tamar Valley. Further, the likelihood of processing rich tailings at the Hellyer Mine could see the re-opening of that link to Burnie. Resumption of trains on the Zinifex branch is remote, but it is hoped that passenger trains on the Derwent Valley line will resume as soon as a current dispute is settled.

With the exception of the container trains, and of those from Melba, all traffic flows are direct from industry-source to port, or vice-versa. There is, of course, considerable transfer of freight from trains to Bass Strait and overseas shipping at the three northern ports.

Since the transfer of a somewhat run-down main system from the Tasmanian Government to the Commonwealth Government in 1978, privatisation in 1997, absorption of the EBR in 2000, and purchase by Pacific National (PN) about two years ago, traffic loads and train lengths have significantly increased. Infrastructure expenditure however, has simply not kept up. As a result, at the time of writing, the future of the Tasmanian rail system is still uncertain. PN put forward a rescue proposal to state and federal governments in mid-2005, with an unveiled threat of potential closure. The two governments agreed to their respective parts of the proposal, only to have PN vacillate over its part. This has been affected by the antagonism between PN's partner companies, Toll Holdings and Patrick Corporation.

In view of the above Tasmanian logistics setup, it is clear that the closure of the rail system could have a very serious effect on the State, at a time when it is rapidly advancing its economy after a prolonged period of relative stagnation. Estimates of up to an extra 2,000 truck movements a day on the Midland Highway are probably low, should rail cease operations. Resultant wear and tear on the roads, as well as serious road safety issues would need to be faced.

There are also three preservation organisations running tourist / special passenger services: The Don River Railway, (near Devonport), The Derwent Valley Railway Preservation Society, based at New Norfolk (which worked hard to rehabilitate the line to National Park, only to see it recently closed by PN) and the Tasmanian Transport Museum at Glenorchy (the northern suburbs of Hobart).

These rail preservation societies are an important element of Tasmania's tourist economy.

The RTSA strongly supports the proposed rescue package for Tasmania's rail system, but also encourages future support and development of the rail system as part of an integrated transport framework that balances the economic, social and environmental domains.

ADDITIONAL INFORMATION HELD BY THE COMMITTEE

ATTACHMENT TO SUPPLEMENTARY SUBMISSION NO. 164

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