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Australian Rail, Tram and Bus Industry Union

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Inquiry into Integration of Regional Rail and Road Networks and their Interface with Ports



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**INQUIRY INTO INTEGRATION OF REGIONAL
RAIL AND ROAD NETWORKS AND THEIR
INTERFACE WITH PORTS**

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Introduction

The Australian Rail Tram and Bus Industry Union (RTBU) has 33,000 members across Australia and is the major union in the rail industry representing 65% of all workers in the sector. The rail industry has very high levels of union density and the RTBU has extensive union and OHS delegate networks across Australia

ROLE OF AUSTRALIA'S REGIONAL ROAD AND RAIL NETWORK IN THE NATIONAL FREIGHT TRANSPORT TASK

This inquiry is timely as the RTBU believes unless there is a major policy review by governments significant closures of regional rail lines will occur in the next few years.

Regional railways play a major role in transporting the national freight task. The AusLink White paper estimated "road and rail have about equal shares of Australia's freight transport task force in tonne/kilometres, 35% and 37% respectively, with 28% sea and 1% air. 86% of the rail share is bulk commodity, mainly coal and iron ore.

The type of commodity hauled, distance, market share and potential markets vary within states and between states.

For example the winter crop is forecast by ABARE to be 37.8 million tonnes and the only bigger crops in the past 11 years were 43.4mt in 2003/04 and 39.27 mt in 2001/02. Production in 2005/06 is forecast to rise in NSW by 4%, 38% in Victoria, 20% in WA, 35% in SA and 14% in Queensland.

Wheat production in 2005/06 is forecast to reach 24.1mt, 18% more than the previous year. The variability of wheat tonnages causes a difficulty for road in the availability of capacity and the pressures that are placed on networks not designed for these tonnages. As a bulk product grain is quite unlike the steady, regular coal tonnages available for rail. Rails ability to handle surges in supply and respond to competitive markets is a major reason for the development of policies, which enhance rails market share of the haulage of bulk products.

Regional railways involved in coal haulage particularly those in the Hunter Valley in NSW and the Blackwater, Newlands and Goonyella systems in Queensland coalfields are enjoying a boom with record tonnages, export prices at historic highs, significant expansion and capacity building plans and generally well co-ordinated supply and logistics chains from mine to port.

Background to the structure of the Australian Rail Industry.

In NSW the coal rail network overwhelmingly is managed and maintained under a 60-year lease arrangement between the NSW and Commonwealth Government.

In Queensland the state rail network is managed and operated by Queensland Rail .It acts as an access provider through the Queensland Rail Network Access Group, operates Queensland National (major freight traffics) and QR passenger services. Pacific National (Queensland) in 2004 became the first major competitor to QR on rail freight.

What the NSW and Queensland rail networks have in common is high standard coal railways where sustained investment has occurred. This contrasts markedly with other rail regions, especially grain lines, where there has been a history of poor engineering standards, deferred maintenance and little investment.

Other rail coal haulage exists in Tasmania and the dedicated Leigh Creek line in South Australia, which is part of the operations of Flinders Powers station at Port Augusta.

Large sections of the grain network are in a precarious position, tonnage hauled by rail has been declining and urgent action by the many players in the grain supply chain together with governments at state and federal government is required.

Some regional rail networks, excluding Tasmania and the Eyre Peninsula, have regional rail passenger services and this impacts on the engineering standards, maintenance practices and funding undertaken.

Significant sections of the rail freight network don't have passenger services. Generally grain lines do not have passenger services and the poor condition of most of them has seen even occasional tourist/enthusiast trips cease.

Tasmanian Railways are symptomatic of problems with Australia's Regional Railways.

Railways in Tasmania offer a snapshot of the problems of many regional railways in Australia. The major traffics are cement, ores, logs, intermodal containers and coal. The network is small with some 750 route kilometres and the new owners, Pacific National have declared their intention to close down a large part of the network unless governments allocates funds to assist in rail infrastructure upgrading.

A joint inquiry by the state and federal government is underway and outcomes and decisions will be made before the end of the year.

At the other extreme is the regional rail line opened in early 2004 running from Alice Springs to Darwin and connecting to Tarcoola and then onto Adelaide in the south. The current economics of the line are marginal though its prospect will improve as mineral deposits are opened up .The \$1.2b line was financed 50% by three governments as a contribution to nation building.

The Alice Springs to Darwin railway line would not have been built without substantial government funding of the infrastructure.

Regional Railways and Community Service Obligations

Historically regional rail networks have been developed for social and equity reasons. Their funding was part of a Community Service Obligation by State Governments. This remains the position in NSW and Queensland.

The regional railways in other states have been privatised as vertically integrated operations. In NSW the track remains in government ownership at both state and federal level following the 2004 agreement between the Federal and NSW Governments. The above rail freight operator in NSW, FreightCorp was privatised in 2002 and formed part of Pacific National together with the former National Rail Corporation.

There is great diversity between regional railways. The Victorian Government has pursued a major regional fast passenger rail infrastructure, rolling stock and terminal-upgrading program from Melbourne to major regional centres at a cost of some \$800m. The Victorian non-mainline, broad gauge freight network is bedevilled by poor quality infrastructure, access, access pricing, and investment and gauge connection problems.

Eyre Peninsula railway-South Australia

The precarious state of the Eyre Peninsula grain railway in South Australia was analysed by the RTBU in 2003 and is attached as Appendix 1. Significant recent discussions have occurred between the rail operator ARG, grain industry participants and governments at both state and federal level for a modest \$30 m reinvestment package under the AusLink Strategic Regional Projects provisions. The project is yet to receive a green light.

Funding problems for South Australia and Tasmanian Governments

Both Tasmania and South Australia governments transferred regional rail responsibilities to the Federal Government in 1978 and are reluctant to be reinolved as both being non-mineral resource rich states do not have deep pockets.

This was the very reason they agreed to have the Commonwealth take over their railways in the first place. The RTBU argues they need to take a wider view of their transport responsibilities in the 2005 environment.

Regional railways are often part of a transport/logistics chain and the focus needs to be all sections from regional catchment areas to end destination points, which are often in increasingly congested regional or urban areas. The connectivity between roads and rail transport with ports is an increasingly important issue and will be referred to in the next section.

The RTBU believes that the strengths of rail in hauling bulk traffics on regional rail lines for grain movements to ports should be recognised and built upon. Because of RAILS superior operational efficiency compared to road for bulk handling capabilities at ports for the handling of vessels, loading at silos sites combined with regional communities support for safety and environmental reasons suggest the rail branch line network should be developed as the preferred mode.

Demand forecasts needed for Regional Rail

The AusLink Green Paper indicated that the total freight task was forecast to double in the next 20 years. Export orientated bulk is geared towards rail and coastal

shipping. Non-bulk freight trends were characterised by a continuing increase in the dominance of road in both total and interstate traffic. Non-bulk non-urban road freight was predicted to more than double in 20 years. As noted this will have significant implications for the costs of road construction and maintenance. The AusLink process paid minimal attention to regional traffic forecasts.

Integrated approach to rail and road required-Case Study-Tasmania

The performance of states on this issue is variable and generally does not take an integrated approach.

For example, Tasmania in 1997 conducted a major road freight survey, which gave detailed information about the commodities carried, their weight, their value, the routes used and the number of trips involved. The material collected formed the basis of a discussion paper “The Strategic Freight and Tourist Road Network in Tasmania”.

From this process there was developed long term management plan for developing its roads known as “Connecting Tasmania”. The states roads are divided into five categories, dependent on their importance and level of use. The roads most used by heavy vehicles are category one –trunk roads and regional freight roads category 2. Operational targets are set for each category and construction and maintenance are undertaken progressively, in order to meet these targets.

The freight survey did not include rail demand forecast nor did it include a quality of asset index together with indicative maintenance and construction spending on maintaining or improving the network.

Planning –The Queensland Approach

Another example of planning is the approach taken by the Queensland Government.

In 2001 Queensland Transport developed the “Rail Network Strategy for Queensland 2001 –2011.It’s aim was to identify specific strategies relating to policy and planning for the future of rail infrastructure and rail corridors throughout the state.

Queensland Rail in 2002 developed the “Network Development Plan –2nd edition” in order to set a strategy and direction for the development and management of QR’s railway infrastructure network.

The Queensland Government through the Department of State development and Innovation released the “State Infrastructure Plan in 2001.” The aim is to guide long-term economic infrastructure in Queensland. The first plan was based on a five-year time frame of economic infrastructure by all areas of government and the private sector.

In December 2003 the Queensland Government announced the “Smart State Building Fund’ which included plans to implement a \$3.75b transport strategy over 3 years to meet South-East Queensland’s transport needs.

Regional rail neglected in Queensland

The Engineers Australia 2004 Infrastructure scorecard said concerning Queensland “Investment in Freight Infrastructure: in addition to essential maintenance, Queensland’s non bulk rail has seen little improvement to track alignment and capacity. Limited axle load capacity, level of service and speed of delivery provided to rural Queensland has seen rails market share decay.”

“Freight service performance measures within QR’s Annual Report are the track quality index which for the Central Queensland freight network in 2002/3 was 29.1 and the indicator for the rest of the freight network was 52.5. The lower the indicator the better the track quality.”

“Queensland Transport has undertaken a number of studies in recent years looking at the quality of track in Queensland. “The Straight Track Study” completed in 2002 gave estimates of the additional freight train operating costs, track maintenance costs and external costs that resulted from track imposed speed constraints for a standard freight train travelling along the North Coast Line System.”

The Queensland Government spent more on upgrading the Brisbane –Townsville mainline during the 1990s than the Australian Government’s total rail spending.

Inadequate research and data in the Australian rail industry

The May 2005 Senate report on the AusLink Bill made a number of observations about data and research in the rail industry on P36 of its report it said:

“3.113. that in general basic road infrastructure data is extensive and reasonably consistent but the position with respect to road usage data appears to be mixed. Comparable data on rail asset condition is not yet available, basic information on intermodal transport facilities is even less readily available”

3.114 “The Committee supports work towards better data to inform planning transport infrastructure. In the case of rail, it will be important to have protocols to ensure that the move to corporatisation and privatisation in recent years does not fragment information gathering on industry wide importance.”

RTBU Recommendations

Regional transport data including current and future forecasts of freight volumes and revenues and regional road and rail asset condition and future maintenance and upgrading costs be included in the National Transport Data Framework.

The RTBU’s experience with privatisation has been that transport data and rail asset condition are not published. An examination of the annual reports of Wesfarmers, Tolls or Patrick’s reveals very little information of substance is made available about their railway operations. In fact there is significantly more information available in the US annual report of Wesfarmers joint venture partner Genesee Wyoming because US company disclosure requirements are more rigorous.

The RTBU supports the urgent establishment of National Transport Advisory Council to co-ordinate policy on investment priorities, which include social and environmental costing, modal integration and infrastructure pricing. Road pricing would be transferred from the NTC and the new body should include community and industry representatives including Unions.

The RTBU supports the development of a National Transport Investment Plan, which includes regional areas, with a five year rolling plan, a 20-year strategic outlook and to incorporate state/territory plans.

THE RELATIONSHIP AND CO-ORDINATION BETWEEN AUSTRALIA'S ROAD AND RAIL NETWORKS AND THEIR CONNECTIVITY TO PORTS

The overall co-ordination between road and rail networks has been poor. The development of AusLink has as its core:

- A defined national network of road and rail links and some of their internodal connections
- A National Transport Plan aimed at improving and integrating the National network
- The investment required for funding the national network
- Single funding regime for the national network
- Separately earmarked funding for the national network

AusLink remains road focussed and totally freight based

The basis of the AusLink strategy is freight and the emphasis of the federal government funding continues to be on roads though funding has been released for rail upgrading, particularly in NSW and to a lesser extent in Victoria.

To gauge the dominance of road in funding, the example of Australia's most heavily trafficked inter capital corridor Melbourne -Sydney is illustrative. The market share for rail in the late 1960's was 40%. By 2005 it had plummeted to 12%. In the 25 years to 1999 \$3.5b had been spent on the Hume Highway alone.

The Federal Governments land transport funding has been road centric. In the 25 years to 1999 the Commonwealth spent \$43b on roads, which included \$18b on the National highway system. In the 25 years to 98-99 the Commonwealth spent \$1.2b on rail and most of this related to particular projects.

Total funding on roads in 2001-2 was \$7.580b comprising Commonwealth \$1821m, State \$3545m and local government \$2214m. Total spending on roads 1988-89 to 2001-02 was \$85.5b.

Commonwealth road spending in 1997-98 to 2003-4 was \$11.6b whilst Commonwealth rail spending for the same period was \$992m. 60% of this funding was allocated in 2003-04.

The national highway system was allocated \$5b over this five year period and mainline track upgrading \$101m. Over 25% of rail funding was for the Commonwealth's contribution to the Alice Springs Darwin line (of \$250m mainline allocated in 1997 only \$110m was spent, mainly due to differences between NSW and the Commonwealth over the future of the NSW mainline network. The Commonwealth through various rail asset sales raised \$387m. (ANR sale in 1997 \$93.4m and in January 2002 \$293.6m from the sale of NRC).

The funding for roads comes from the three levels of government. Of the total of \$7.5b spent on roads over the five year period referred to, 24% was from the Commonwealth, 46% from the states and 30% from local government.

Of the \$1.785b spent by the Commonwealth on roads in 2003-04, the Roads to Recovery program allocated \$302m was directly to local councils and \$462m through local government identified grants.

Another category of funding under AusLink is the Strategic Regional Projects of \$400m over four years distributed to councils on a formula similar to the Roads to Recovery program. In addition a further \$150m was allocated to strategic national projects most was allocated as part of the 2004 federal elections process though not according to any formula or guidelines.

As the May 2005 Senate report referred to observed "the Committee accepts that spending on local roads and regional projects is affected by social policy considerations...the Commonwealth funds rural local roads which would probably score poorly in a formal cost benefit analysis in comparisons with urban arterial roads. This funding appears to be for social policy reasons to do with supporting rural communities."

The funding of regional railways needs to be collected and analysed. Comprehensive data for regional railways is difficult to assemble. A few examples assist.

New South Wales

In NSW the non-metro area is divided into two broad networks, the ARTC interstate mainline including the Hunter Valley leased network and the Country Regional Network owned and funded by the NSW government. The latter is maintained by ARTC under a contract with NSW and 1050 employees are seconded to ARTC. The NSW Country Rail Network has three components in its 3,500kms of network freight branch lines, passenger branch lines and the restricted or branch grain levels of which 11 remain open to grain traffic. The new structural arrangements have seen 872 redundancies with several hundred more to come over the next 3 years.

The funding for the 3500km network is as a community service obligation of which the NSW Government provided 92% for works and services and the remaining 8% was received from above rail operators through access charges. There are 2800 km of disused rail corridors.

In May 2005 the Government announced a 5-year funding commitment of \$110 m per year. This amount is not indexed, is overwhelmingly for maintenance and doesn't allow for an adequate level of maintenance of the infrastructure assets. The

infrastructure has been allowed to deteriorate over a number of years and is extremely vulnerable to closure caused by flooding.

The NSW Government has made 2 further funding announcements in 2005 allocating \$13m for the last financial year and \$69 million over three years for upgrading the grain lines. This will ensure the network will continue in operation for the next couple of years. A loan has been sought from treasury to replace antiquated signalling and communication infrastructure to ensure compatibility with projects on the leased network to be undertaken by ARTC. Without these investments the future of the network and its component lines is a season-to-season proposition. Nothing more than a short-term fix has been applied.

Tasmania

In Tasmania the Federal government over the five years 04-05 to 08/09 will spend \$141 m for roads on the AusLink national network plus the roads to recovery program, National Black Spot and untied local grants to local councils. In 2004/05 the Federal Governments total road funding was \$63.3m. In addition, under the AusLink strategic regional program, the Commonwealth is committed to funding four projects totalling \$18.5m of which \$5.3m will be spent in 2005-06.

The AusLink White paper included the Burnie -Hobart mainline (including Launceston to Bell Bay) as part of the National Land Transport Network but no funds whatsoever were allocated to railways in Tasmania for the five years 04/05 to 08/09.

The scope and amount of investment by the private rail owners in Tasmania is unknown though given the current condition of the locomotives, wagons and track it would have been absolutely minimal. The sale of Tasrail dragged on for over 3 years and management generally do not invest when the business is marginal and they want to get out.

The analysis of regional land transport funding indicates little if any co-ordination between road and rail. Funding should be co-ordinated and priorities set as per a National Land Transport Investment Plan.

Fundamental structural change in Regional Railways

Railways in Australia in the last 10 years have undergone the most dramatic structural change ever in their history. The profound change has seen five of six government railway businesses privatised. Except in NSW the government rail freight business was sold as an integrated business with the freight business and track sold together, the latter usually on a long-term lease basis.

The Commonwealth Governments Australian National Railways (ANR) were sold in 1997 with the South Australian and Tasmanian freight operations going to the US regional operators Genesee Wyoming and Wisconsin Central respectively. A \$5m grant was made for rail track upgrading in Tasmania to assist in the passage of the sale of the enterprise through the Senate.

ANR's interstate rail operations, its main business, had formed the backbone of the establishment of the Federally, NSW and Victorian Governments jointly owned National Rail Corporation in 1993.

The NRC was formed to haul primarily interstate rail traffic and turnaround a \$350m loss making business. Following the 1996 elections the Government announced its intention to sell NRC. This was not achieved until 2002 when NRC together with the NSW Governments Freight Corporation were jointly sold to Pacific National, a joint 50/50 venture of Toll's and Patrick's. A condition of the sale in NSW was that the new owner maintains the same scope of service for its regional rail business for the next five years. This condition expires in 2007. It is a potent issue affecting the future of the NSW Country Rail Network.

Victoria's Government rail freight business was sold to a US regional operator Rail America in 1997.

WA's rail freight business was sold to the US regional operator, Genesee Wyoming in 2001.

In 2004 the Alice Springs- Darwin rail line was opened by a private company, Asia Pacific Transport Consortium. Some 50% of the infrastructure costs of \$1.4b were supplied by Federal, State and Territory Governments as part of nation building.

In 2005 the only publicly owned rail freight business is Queensland Railways, which has expanded its business beyond Queensland to compete in the national rail market. Freight is a corporatised, profitable business within QR's vertically integrated operations. Its coal network is recognised as a world best practice narrow gauge freight railway.

The sale of the various government owned rail freight businesses were accompanied by the expected fanfare of new era being opened up to the dynamism of the private sector with expected significant increases in tonnage and long overdue investments.

The owners may change but the problems haven't gone away

Governments had generally corporatised their rail freight business prior to their sale and dramatic rationalisation of staff had occurred. For example, the workforce of V Line freight in 1990 was 9000 and at the take-up with the new owner in the late 1990s was 900.

Generally the track and assets were sold in poor condition, as Governments were loath to invest in a business they wanted to sell. The prevailing ideology was small government, balanced budgets and debt retirement. Governments generally favoured on rail competition though for a range of reasons essentially based on economies of scale and return on assets this did not eventuate. The exception was in NSW where the infrastructure and operations remained separate, non-integrated businesses. Governments regardless of political persuasion generally breathed a sigh of relief as is the problem of infrastructure quality and funding had been handballed to the new owners. The reality has been somewhat different.

Since widespread privatisation industry structures have not been static as the long term economic issues caused by poor asset conditions and low investment over a lengthy period of time came to the fore again.

A new wave of corporate restructuring in the rail industry-from foreign to Australian ownership in Australia and New Zealand

Tasmanian railways US owners were themselves taken over in 2000 by Canadian National and a condition of sale was the sale of Wisconsin Central's overseas rail properties in Tasmania and New Zealand.

New Zealand – after 10 years of privatisation a new rail policy framework

After a lengthy corporate battle Toll's won control of the company in New Zealand. That company had been systematically plundered by its previous owners both in terms of payouts to senior managers and failure to invest in infrastructure. 10 years after being privatised the assets were in a severely degraded condition.

The New Zealand Government has taken back the ownership of the track through its company On Track and has made a \$300m commitment to upgrade the infrastructure. Toll's was granted monopoly operators right on the basis of a number of commitments including a significant upgrading of locomotives and rolling stock. The New Zealand Government in 2004 announced a detailed rail policy within a wider transport framework and aimed in part at encouraging a modal shift to rail.

For the RTBU the lessons are clear. Without government making a contribution to rail infrastructure funding within a wider transport-funding context and without detailed rail policies railways, especially in regional areas, will wither and die.

Tasmania

Tasrail, after not being able to find a buyer for over 3 years, was sold to Pacific National in late 2004. In mid 2005 Pacific National announced, unless Government made a substantial commitment to upgrading the rail infrastructure the general freight business would be closed with the 180 member workforce reduced by over two thirds.

South Australia and Western Australia

In early 2002 Genesee Wyoming's SA and WA freight businesses were brought together and a 50% interest was acquired by the Australian industrial conglomerate, Wesfarmers. The business was rebadged as the Australian Railroad Group and in 2003 won a \$90m regional contract from Pacific National in NSW.

Victoria

Freight Australia, the name for the essentially Victorian based rail freight business was sold in 2004 to Pacific National. The business had been hit hard by the drought with 10% of the workforce made redundant in 2003. It had a long running dispute with the Victorian Government about access policy and long term returns on investment.

Simply put their position was why invest when it could be assisting a future competitor? Essentially Freight Australia undertook a capital strike.

Change in policy directions in relation to on rail competition for Regional Railways.

The period since privatisation has seen a reappraisal by the industry of the alleged benefits of on rail competition on regional networks with the sentiment swinging to favouring vertically integrated regional rail operations. The rail/wheel interface is better appreciated as is the co-ordination required between above rail and below rail investments and the need for long term positive returns on investment.

Transport logistics, national companies and the rise of Toll's and Patrick's

The latest step in the structural change story for Australia's freight railways was the mid 2005 \$4.5b offer by Toll's to buy out its joint venture partner, Patrick's. This has led to one of the most bitter corporate battles in Australian history with the CEO resigning, the Board being unable to pass resolutions, senior managers being stood aside and threats to split up the business with observers assessing this could strip the company of \$1b in value. The ACCC has shown a keen interest in the proposed takeover and its implications for competition. Ten years after the passage of the national competition legislation and the reams of prattle about competition the rail industry is dominated by three large players following a wave of mergers and the industry expectation is that there will be further rationalisation.

The focus of transport in Australia and overseas is on integrated transport chains across modes. The focus of discussion is now about potential monopolies, price gouging and failure to pass on savings through reductions in freight rates to customers and potential transfer pricing between modes. These are not new issues in Australia, as an examination of TNT's history in the 70's and 80's will reveal. What is a new development is the dominance of a major player across several modes including rail.

PN's shareholders have benefited from government policies in a number of ways. On its formation the share markets reaction was to increase the share value of both companies by hundreds of millions, which says the sale price was significantly undervalued. Secondly, the AusLink investment which for rail is concentrated on the Melbourne Brisbane rail corridor and its Melbourne and Sydney port connections also saw a surge in PN's owners share prices as they were seen as a major beneficiary.

Changes to Rail Infrastructure Ownership and Management-ARTC

To round out the picture of the frenetic pace of corporate change mention must be made of the changes that have occurred with management/ownership/lease of the rail track.

In 1998 the Australian Rail Track Corporation, a federally owned corporation was established to operate and maintain the interstate track of the former Commonwealth owned Australian National Railways. It was to be a one-stop shop for rail freight operators in terms of pricing and access to the interstate rail network.

In the late 90's the Victorian Government leased the Victorian interstate mainline track to ARTC.

ARTC has a wholesale agreement in place with the WA Government giving ARTC rights to sell access to interstate services between Kalgoorlie, Perth and the Port of Kwinana.

In June 2004 the Commonwealth and NSW Governments entered into a 60-year lease to takeover the interstate mainline and Hunter Valley coal network. ARTC maintains the Country Rail Network for the NSW Government. 870 employees took redundancy and a further 300 will depart over the next three years, mainly as consequence of network upgrading.

ARTC currently has responsibility for the management of 5861 route kilometres of standard gauge interstate track, in South Australia, Victoria, Western Australia and New South Wales. ARTC also manages the Hunter Valley Coal Rail Network in NSW (311km) and other regional rail links in NSW (651km).

ARTC has expanded beyond its original objectives, which centred on the interstate mainline network. In the current dispute about the future of regional railways in Tasmania the Tasmanian Transport Minister has called for ARTC to take over the maintenance and superintendence of the rail infrastructure in Tasmania.

The snakes and ladders corporate plays have, until recently, masked, the house of cards quality of much of Australia's regional rail network. Unless bold policy decisions by government and regional rail owners are made a large rationalisation of regional railways will occur in the near future.

Changes in other industries result in fragmentation

The point needs to be made that simultaneously with the change to industry structures in the railways a number of markets served by rail have gone through their own transformation. None more so than the grain industry. This industry has been transformed by privatisation, changes to bulk handling, marketing and storage and similarly to rail, the emergence of national markets.

The structural change has not been accompanied by an increase in planning and co-ordination. The emphasis has been on short-term decisions with each market participant making individual investment decisions and rail infrastructure funding has generally not been allocated.

Examples of regional rail infrastructure after privatisation and corporate change.

Tasmania

The State and Federal Governments have set up joint independent assessment of Tasmania's rail system. It will focus on two major issues. The commercial/financial viability of the Tasmanian rail system and the economic and other impacts of rail on the Tasmanian economy. The report is due in early December. There have been strong

exchanges between the federal and state governments and the rail operator about PN's claims for their investment in it's track without which PN have said they will close their rail intermodal services in Tasmania.

PN claims they will invest some \$38m in rolling stock upgrades over 10 years. The current work conditions for locomotive drivers are very poor due to the 30-year plus-old locomotives, which struggle to maintain a reliable service due to frequent breakdowns.

It is estimated by the company that \$78 m capital investment over 10 years plus \$4m a year on ongoing maintenance is required to make the business viable. The basis of these claims need to be analysed and made public. How much investment in track and rolling stock has occurred over the last 30 years and especially since the company was privatised in 1997? A significant component of the required investment is for rail bridge upgrades/replacement.

A guidepost to the state of the rail infrastructure in Tasmania is the 1990 report of the BTCE: "The Future of the Tasmanian Railway System: A Cost Benefit of Options". The report noted on P8 "Tasrail is a small railway system .It also operates with some severe handicaps, such as Tasmania's difficult topography, a small population and industrial base, isolation from the mainland and an inheritance of run down infrastructure, transferred from the state in 1975, which has since resulted in large debt incurred for rehabilitation and other maintenance costs." (The government supplement to Tasrail declined from \$41.9m in 1977/78 to \$16.6m in 89/90; (\$356.4m in total for the period. At sale in 1997 Tasrail was a break even business)

P9 "Over the 13 years to 89/90 Tasrail's freight task increased by 87%."

P12 " the Joy Report in (1977) concluded that only 6% of Tasmania's railway track was laid to a "high standard". The remainder of the State's track ranged from fair to very poor condition. As a result of these findings, in 1978 the Federal government undertook to provide funds for the rehabilitation of the per way. Since 1976/77 \$38.4m was spent on track rehabilitation...at 30 June 1990 track rated as "very good" was 36.8% and "good" was 38%. Track rated as "fair" was 16.1% with the remaining 9.1% –a potion rarely used-was rated as poor. The percentage of track under speed restrictions was reduced in 1989/90 to 5.6% from 6.8% in 1988/89"

P13 "Tasrail has now reached the point where operations in several areas have to be upgraded is the company is to remain competitive."(Tasrail's number of employees fell from 1686 in 1978 to 200 in 1997)

The RTBU argues that the lessons to be learnt from the past is the need for regular investment to maintain the assets, up to date information on the quality of the asset and a clear role for government in adopting an overall transport funding policy which includes rail.

Tasmania-need for new planning, co-ordination and funding mechanisms.

There are serious planning issues involved in Tasmania both at private and public sector levels and between levels of government. The emergence of transport logistics

companies such as Pacific National with interests in road, rail, shipping and ports and the ability for inter company modal transfers emphasises the need for new planning and co-ordination mechanisms going beyond individual company investment decisions being made on a short term basis.

The overall transport picture both within Tasmania and between Tasmania and the mainland needs to be addressed simultaneously. Tasmania unlike a number other states has always struggled economically and finds it particularly difficult to fund transport infrastructure upgrades. This was the reason Tasmania and South Australia were the only states to take up the Federal Governments offer in 1975 to take over all non-urban railways.

The idea that Tasmania should reinvolve themselves in railways some 30 years later is not one embraced with enthusiasm. They have a role to play in planning and co-ordination. As Australia's only island state, combined with a meagre financial base, the dollars come hard. Tasmania has a number of transport subsidies, the ferry service to the mainland and the long-standing Tasmanian freight equalisation scheme funded by the Federal Government.

The Federal Government plays a significant role in funding roads in Tasmania through AusLink, blackspot, roads to recovery and regional special projects, in total \$68m pa.

A paper breakthrough was made when the AusLink announcement added the mainline link to the national rail network but no dollars flowed. In the overall transport budget small dollars are involved for the upgrade of the national network once a new transport policy framework has been adopted.

Tasmania's intermodal rail link faces the possibility of being the first section of the recently proclaimed national land transport network to be closed down. There are potential new rail markets in Tasmania with a new mill to be opened. The rail access to Tasmania's three northern points are not optimal, current track layout leads to inefficient rail operations, road /rail and rail /port co-ordination. In some instances rail expansion at ports is limited.

The Tasmanian Government has given in principle support to the amalgamation of the States four port entities. A Committee of Review recommended the creation of a single port corporation with a prior recognition that the existing four ports would continue as working ports.

South Australia.

The Eyre Peninsula grain network sums up the parlous nature of regional rail infrastructure in South Australia. The network is close to life expired with a multitude of rail infrastructure issues which see the network in a run down condition, in appropriate rail operating practices due to the need to break up trains because of inadequate crossing loops and a multitude of speed restrictions in summer due to high temperatures posing a constant threat of derailment.

Appendix 1 is a paper prepared by the RTBU, which details the problems of the Eyre Peninsula. Lack of planning and co-ordination between grain chain participants, road/

rail pricing policies and road congestion issues at major loading points particularly at Port Lincoln continue to be major issues.

To the RTBU's knowledge, an initiative by the Federal Government, whereby they would put forward \$15m if it was matched by the combined funding of the SA Government, the rail operator and the grain chain participants has not as yet progressed satisfactorily. The reasons should be investigated by this Inquiry.

Other grain lines in South Australia face similar problems to those experienced on the Eyre Peninsula.

New South Wales

Significant changes have occurred to the ownership and maintenance of non-urban rail infrastructure in NSW. In June 2004 the NSW and Federal Governments signed a 60-year lease to take over the interstate and Hunter Valley rail networks.

The Ministry of Transport has a five-year funding agreement with Treasury and the Rail Infrastructure Corporation. Funding levels within this agreement are based on Ministry of Transport policies and directions within the budget framework set by Treasury. The Community Service Obligation funding for 2005 was \$110 m plus additional funding for grain lines and freight lines of \$40m. (Four of the fifteen grain lines were closed to traffic in 2005 and the NSW safety regulator had suspended services on three-grain lines for safety reasons)

RIC has a management agreement with ARTC whereby RIC retains ownership responsibilities for the country network and approves the scope of works and services together with budget allocations. ARTC takes management responsibility for all works and services undertaken on the country rail network.

The NSW regional rail network consists of 3,500 km of track, which are generally in poor condition. Individual line conditions vary substantially. The lines support significant wheat export tonnages and (regularly carry 3.36 m tonnes annually, equivalent to 67% of annual NSW wheat exports,) smaller tonnages of a number of other commodities and regional passenger services.

The network is in poor condition with numerous speed restrictions ensuring low speeds and restrictions on locomotives. The lines were opened for development reasons in the nineteenth century and have numerous timber bridges, low rail weight and poor ballast. They have been financed as a Community Service Obligation by the NSW Government. A number of studies have been undertaken e.g in July 2002 the NSW Farmers Federation established a Road Rail Task Force, which in November 2002 released a green paper.

The report was an extremely critical of the state of NSW transport infrastructure. The "fix when fail" strategy was viewed with particular concern. The strategy was described as unsustainable. The report said in the Executive summary "*while contractual arrangements are in place between the NSW Government and Pacific National to service all country lines and silos until 2007, this is subject to customer demand and track standards. There must be decisive action well before the expiration*

of this contract to prevent extensive closure of small lines and a significant increase in road freight of grain.”

A variety of reports have been undertaken on the funds required to upgrade the restricted grain network and they are in the range of \$130 to \$200 m over five years.

In 2001 the NSW Department of Transport commissioned Booz Allen and Hamilton as part of the FreightCorp CSO assessment. It's report indicated a deterioration in the track over the period 1997 –2001 with a recommendation for a five-year restoration expenditure of \$800m and a maintenance program of \$700m.

The RTBU believes in NSW, as in other states, there are a number of policy issues that need to be addressed if the regional rail network is to have a future.

Co-ordination of road/rail investments across the 3 tiers of government and addressing road user pricing charges are urgent priorities there is a need for co-ordination of grain chain participants as investment decisions are being made an ad hoc manner including the siting of storage facilities by the AWB

The RTBU considers on rail competition on lightly trafficked branch lines are not a sustainable proposition.

Compared to the rest of the network the export coal lines based on the Hunter Valley are going gangbusters with surging tonnages and a rapid rise in prices due to surging overseas demand. Plans are underway to increase significantly the rail and port capacity with rail capacity to increase by some 40% over the next five years and a second Newcastle coal loader consortium being announced in mid 2005.

There is emerging in NSW, as in a number of other states a two-tier rail freight system.

Victoria

The Victorian regional rail network consists of some 5,000 km of operational track. It is mainly broad gauge with standard gauge servicing the grain component in Western Victoria. The uniquely Australian rail colonial legacy of differing gauges continues to bedevil the Victorian system. This acts an obstacle to efficient rail operations and the development of new rail markets.

The Victorian Government has pursued an ambitious Regional Fast Rail Project from Melbourne to Taralgon, Bendigo, Geelong and Ballarat corridors on broad gauge track. The interstate mainline from Albury-Wodonga to Melbourne and Melbourne to Serviceton via Geelong was leased by the Victoria Government to the Federal Governments ARTC in 1999. ARTC is responsible for the maintenance of this line. ARTC's network with its connection to ports has allocated significant upgrading funds as part of the AusLink investment program.

The Victorian regional freight network exhibits similar characteristics to other states regional networks. The Victorian freight operations were sold and the non-urban rail freight infrastructure leased to the same operator on a 45-year lease. The operator, Freight Australia was reluctant to invest in the network and rolling stock because of

uncertainty over returns on investment, potential competition and access arrangements to potential competitors. Relations between the company and the Victorian Government and the operator were extremely strained, this being a key factor in the decision of the Government not to proceed with the gauge standardisation program announced in 2001. The company's difficulties were compounded by a drought which affected the size of the Victorian grain crop which was the backbone of the company's operations.

Reports from our members who work on the Victorian freight network reinforce a system in poor condition, with numerous speed restrictions and very little investment undertaken by either the public or private sectors in recent decades.

The Institute of Engineers 2005 Victorian Infrastructure Report Card said, "It is difficult to give a rating that adequately reflects the condition in Victoria which varies considerably from region to region. While the upgrade program for the Regional Fast Rail Project will deliver significantly improved regional infrastructure over part of the rail network, many of the unaffected lines continue to remain in poor condition ...with many of the areas of the country freight lines at D or below...it is improving rapidly on the ARTC standard gauge lines and is stagnating for the broad gauge lines with the exception of Regional Fast Rail Lines...With relatively modest expenditure on upgrading and standardisation, rail has a high level of sustainability for large increases in freight volumes".

The RTBU expresses concerns about the quality of the interstate mainline track maintained by ARTC in Victoria. The Australian Transport Safety Bureau in its Rail Safety Investigation 2005/0028 concerning "Derailment of Freight Train 6SM9V" said on P61 "*Recommended Safety Actions*

5.1 ARTC

RR20050012

The ATSB recommends that the ARTC review their risk analysis for track standards to ensure that suitable track maintenance and monitoring standards, aligned with contemporary practices and workforce resources are implemented on ARTC leased track in Victoria.

RR20050013

The ATSB recommends that the ARTC conduct an audit of crossing loops, turnouts and cripple sidings on their leased standard gauge track in Victoria with a view to ensuring the track is fit for intended purpose."

Land transport access to ports

In many areas of regional and urban Australia, land access to ports is becoming a major issue as freight volumes expand significantly and place increasing pressure on surrounding residential suburbs and/or commercial precincts.

The AusLink Green Paper forecast that total container traffic is expected to increase by 66% between 2001 and 2011. In a master of understatement the paper said "*the expected significant growth in container throughput will test the capacity of the land transport infrastructure*".

Congestion a major issue

A few examples will assist in understanding the problem

Sydney's Port Botany presents a challenge to all levels of government. In October 2005 the NSW Government announced its decision to approve a 51-hectare expansion of Port Botany. The port was tipped to take 2.9m containers by 2020, more than double the current volume. It is planned to construct 5 intermodal terminals. Within the metropolitan area.

Increasing rail modal share a must

The report calls for freight to be carried by rail from the port to double to 40% of all container movements. It was reported that much of the infrastructure would be funded by a proposed \$30 levy per container per trip, rising up to \$375 m per year. If the rail plan fails, the number of trucks on the city's entire road network will triple. Currently rail journeys can take more than double the time compared to container movements by road.

For the communities surrounding Port Botany there is also the traffic generated by Sydney Airport a Commonwealth Government planning responsibility that is expecting a doubling of passengers in the years to 2020. Once again the interconnectedness of transport planning is highlighted across modes and the role of differing levels of government in co-ordination.

Freight gridlock in Sydney predicted.

A report released, at the same time as the Governments announcement, by the NSW Governments Freight Infrastructure Advisory Board predicted that “ *the city's already inadequate network road network will grind to a halt and be clogged with fleets of semi trailers within years.... an overhaul of existing transport strategies was crucial*”.

Although the report emphasised the doubling of freight carried by rail it forecast a huge rise in truck traffic in suburbs surrounding the port

The issues in Sydney highlight:

- The interconnectivity of regional transport networks with those in urban areas,
- The increasing congestion and conflict between heavy vehicles and passenger vehicles both public and private on route to and from ports and other parts of the network,
- Conflict between urban rail passenger and freight movements with limited windows, best exemplified in Sydney with the proposed \$330m dedicated freight line in urban Sydney
- Those considerations about ports have to give attention to ancillary facilities such as terminals and storage yards, which are land intensive and coming under pressure from capacity increases and social and environmental constraints.

Congestion problems go beyond urban areas

Access to regional ports is becoming a significant issue across regional Australia for both the local community and the transport industry. For example, the communities of Port Lincoln and Portland are concerned at the density of road-based traffic carrying wheat to port. Addressing road/rail investment and co-ordination of the grain chain could significantly impact these problems

Port Infrastructure connection problems in Tasmania too

The rail connections to Tasmania's three major ports are inadequate and there are significant opportunities to improve the efficiency of the transfer of containers between rail and sea at each port.

At Burnie and Devenport the rail terminals are poorly set out and require excessive shunting and double handling of containers. They have a combination of poor track layout, limitations on storage capacity, difficulties with storage roads and lack of room for expansion. At Bell Bay the rail loading facilities are located on the wharf area and parts of it aren't accessible while ships are being unloaded. Limitations on the weight of trains that can enter the port exist due to the gradient out of the port being steep and alternative access should be pursued.

There is a need to address proposals to build a new road/rail hub in the northern suburbs of Hobart and the impacts this will have on existing and future customers should be investigated and reported upon.

POLICIES AND MEASURES TO ASSIST IN ACHIEVING GRATER EFFECIENCY IN THE AUSTRALIAN TRANSPORT NETWORK

Land Transport Access to Ports

State and federal governments have targeted this as a major issue. The majority of state governments have introduced modal targets for dramatically increasing the percentage of containers being railed from ports to freight depots. This is in recognition of current and forecast dramatic increases in congestion at both urban and non-urban ports and the conflict with surrounding residential housing. This problem will escalate in coming years.

Unless modal targets are given teeth and positive measures in both planning controls, increased rail infrastructure investment, increased pricing for the road haulage of containers as has been suggested in Sydney, then the modal shifts are unlikely to eventuate and the issue will escalate further to become an environmental battleground.

The federal government has responded to the problem of major freight congestion blockages by including road and rail access to major urban ports as part of the national land transport network. Part of AusLink funding is being devoted to improve rail access to the ports in Melbourne and Sydney, increasing the rail freight capacity in the urban area particularly on the short north form Hornsby to Newcastle where freight and passenger rail traffic share traffic and additionally the long overdue

dedicated southern rail freight corridor which will end the current curfew on rail freight traffic coming into Sydney where priority is given to urban commuter traffic.

The AusLink National Network meant a quantum leap in recognising the connectivity between rail and ports in urban areas and the relationship between rail freight and passenger traffic. Much work on these issues remains to be done in both urban and non-urban areas.

Urban transport –the missing link

The RTBU argues that the next step to addressing urban congestion is the recognition of the interconnection between urban private and public passenger transport and freight transport.

Australia is unlike any other country in the OECD countries in that the Federal Government has adopted an ideological position of steadfastly refusing to play any role in urban public transport. It argues that it is a state responsibility.

The RTBU argues that this position for environmental, social and economic reasons will be unsustainable because of the sheer importance of creating liveable cities and their importance to the future sustainability of the Australian economy.

In August 2005 the House of Representatives Standing Committee on Environment and Heritage released its “Sustainable Cities” report. The Committee formed the view that the Australian Government had a responsibility to “*provide national leadership in urban policy as it impacts on the sustainability of Australian cities*”...*however in 2005 directions for action are lacking*”.

The report recommended that the Australian Government:

- Establish a Sustainability Charter that sets key national targets across a number of areas including water, transport, energy, building design and planning.
- That DOTARS, in consultation with the Department of Environment and Heritage, investigate options to the Roads to Recovery programme to include other modes of transport as a step towards including sustainability in the funding criteria
- Transport infrastructure planning decisions be benchmarked against the recommended Australian Sustainability Charter
- The Australian Government significantly boosts its funding commitment for public transport systems, particularly light and heavy rail, in the major cities.
- That the Australian Government review the current FBT concessions for car use with a view to removing incentives for greater car use and extending incentives to other modes of transport.

Competitive neutrality between road and rail transport.

A range of institutions from the Productivity Commission to the BTCRE have indicated;

- That the competition between road and rail transport is distorted by the under charging of heavy vehicles for their use of the road network and
- The need to factor in to infrastructure pricing the social costs of transport to cover the cost of accidents, air quality, impact on health and congestion.
- The issue of under charging heavy vehicles for their use of the road network has been a live issue for over twenty years in Australia and the road lobby are to be congratulated for delaying for so long the application of rational pricing to land transport infrastructure. The issues have been discussed by the BTRE (2003a), NTC (2004b), Laird and Lander (1997) and NRTC (2003) and others.

Shortcomings in road user charges were noted by the Industry Commission in its 1991/92 Annual Report “the result is the some vehicles –the heaviest travelling long annual distances –will meet less than 20% of their attributed costs.”

Laird and Lander 1997 “differences between the recommended charges and road related costs are greatest for vehicles competing with rail. The charges as recommended, will therefore potentially distort the long haul freight market as rail reforms take effect”

A solution to the distortion caused by the current registration and excise based charging regimes is to move to mass distance charging i.e. charging trucks per tonne kilometre travelled.

Systems for charging heavy vehicles are in place in a number of countries and are planned for implementation in Germany and the UK within 4 years. The technology has been developed and it makes use of a combination of GPS technology, roadside transponders and onboard units to accurately record vehicle movements through the road network.

Land Freight External Costs in Australia.

A succession of reports over the last 15 years have detailed the external costs of land freight transport in Australia. Laird in his paper to the 2005 Australian Transport Research Forum referred to a long list of Australian studies and gave particular attention to six external costs of road and rail freight operations in both metro and non-metro areas.

The six external costs calculated covered accidents, air pollution, noise in capital cities, greenhouse gas cost, road congestion metro only, and a cost for the under recovery of road system costs from articulated trucks.

The RTBU urges that within the next five years the users of land freight transport should be required to meet their full external costs and that such costs should be fully accounted for when major infrastructure investment decisions are being made.

An immediate priority is to undertake further research work on land freight external costs. The charging systems described above for mass distance charging also have the potential to recover both road wear and externality costs including environmental.

Human factors in land transport must be taken into account.

A number of reports over the last 20 years (McDonnell, Hay, NRTC and House of Reps report in 2001) have pointed to the frightening human toll exacted on the men and women involved in the long distance road freight industry. The root cause is the exploitative relationships in the industry caused by the low returns to the workers in the industry. A small step forward has been made with the implementation of chain of responsibility legislation but much remains to be done.

The NRTC in 2003 conducted a review of the options for managing heavy vehicle driver fatigue management. It estimated road crashes in which the driver is fatigued are estimated to cost \$243m annually.

The options paper indicated that:

- Heavy vehicle driver fatigue is a relatively important factor in crashes involving driver fatalities and injuries
- Fatigue impairment is a regular part of the experience of many drivers
- A sizeable minority of drivers work very long hours for 72 hours per week or more
- Almost 50% of drivers report that they always breach working hours. A quarter of drivers say they do so in order to keep their jobs and a third says they do so to make a living.

Skill shortages in the Railway Industry

A skills shortage already exists in the rail industry and is set to become appreciably worse. Already safety critical equipment is not having regular inspection in a number of regions because of a shortage of skilled electrical workers. The chaos experienced by Sydney rail commuters in 2004 and to a lesser extent in Melbourne was a manifestation of a shortage of train drivers.

The shortage of skills is a by product of a number of factors.

The focus in the 80's and 90's by management and governments was on the rapid rationalisation of the workforce. It was reduced by over 50% in the course of 20 years with 75% of jobs going from regional Australia.

Traditionally for reasons of public policy railways and other public sector organizations trained apprentices in their thousands. The apprentice training college at the Chullora railway workshop in Sydney in the early 80s had a capacity for training 500 apprentices.

Rationalisation, privatisation and contracting out saw management focus on the bottom line. Training was not seen as a core issue. In this environment management's focus is on short-term strategies. As explained earlier there have been several waves of corporate change over last 8 years with more to come. In many rail companies management focus until recently has not been on training.

A number of bodies including the Productivity Commission and the NTC in its regulatory impact statement on proposed Health Assessment Standards commented on the higher than industry age profile of the railway workforce. In a number of rail companies the average age of drivers is over 52.

The industry has responded with the Australasian Railway Association establishing Career Skills Council. Progress to date has been modest.

Rail employers, have in a number of instances been slow to embrace the adoption of national competency standards established by the Transport and Logistics Skill Council.

Poaching of employees between enterprises is rife. A broader vision needs to be adopted with partnerships between rail employers and regional communities and schools becoming a priority.

The rail industry has a severe image problem amongst many young people and is not seen as a desirable industry to work because of onerous shift work with its 24 hour, 7 days a week requirements. The rail industry has particular difficulty in recruiting women to work in the industry mainly because of its lack of family friendly work arrangements.

THE ROLE OF THE THREE LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR IN PROVIDING AND MAINTAINING THE REGIONAL TRANSPORT NETWORK

The dramatic change in the ownership and operation of regional railways in Australia requires a program of action by all three levels of government and the private sector in providing and maintaining the regional transport network. Unless this occurs significant closure of regional rail lines will occur in the near future. The withdrawal of state and federal governments from regional railways has highlighted the lack of integrated planning across land transport and ports and the importance of public policy in ensuring that competitive neutrality between modes can occur.

The federal and State Governments as a matter of urgency should address the under charging of the heavier road freight vehicle classes, the introduction of mass distance charges for trucks and of access charging to both modes which takes into account externalities, and that these are fully accounted for when infrastructure decisions are being made.

Congestion around ports in both non-urban and urban port areas will continue to grow as an important industry and community issue.

The RTBU referred to the need to ensure all the participants in the grain industry were co-ordinated through the various levels of government. The deregulation of the many aspects of the grain chain meant optimal industry decisions were not being made as individual companies maximised their own individual interests or did not make decisions. Increasingly the latter was applying to railway companies who faced

uncertainty because of the lack of co-ordination of above and below track investments and the failure of new rail regional business owners to invest.

Very little investment has occurred in regional rail businesses since privatisation. The point needs to be made that the lack of investment in regional railways is not confined only to the private sector. Deferred maintenance, run down assets and lack of investment are common themes across both public and private sector railways.

Balanced national land transport funding has a long way to go.

An analysis of the AusLink funding package and land transport funding over the last 20 years reveals the overwhelming preponderance of Commonwealth land transport investment has gone to roads.

Rail investment has been minimal, irregular and project specific and directed, when it has occurred, at mainlines certainly not regional railways. The AusLink railway component introduces new concepts including extending funding to railways in urban areas and their link to ports thus emphasising the need look at transport corridors from point of origin to destination

The AusLink rail component is almost exclusively focussed on the interstate mainlines and their connection to ports.

Unlike non urban arterial and local roads regional railways receive no funding from either local government or the 3 sources of regional funding which are a key ingredients of Commonwealth funding of roads i.e. roads to recovery, untied local road grants and strategic regional projects.

Funding regional roads is not on a formal cost benefit basis but for social policy reasons to do with supporting local communities. The same rationale has traditionally applied to the funding of regional railways but this has been eliminated in areas where privatisation has occurred.

A new paradigm for funding regional railways and integrating them with local regional roads asset assessments, market demand studies, investment priorities and a recalibration of funding methodologies will need to be urgently developed.

Urgent action on regional railways required.

The recommendation of the Sustainable Cities Report that options be investigated to extend the Roads to Recovery program to include other modes of transport as a step towards including sustainability in the funding criteria is a positive suggestion. However the plight of regional railways is so acute that decisions cannot wait until the next AusLink funding cycle, which commences in 2009/10.

Public –Private Partnerships

The role of the private sector in funding transport investment is a major new factor. Attention has focussed on the significant investment in privately financed urban

tollways. Attention has focussed on the high returns to the private owners, high transaction costs and lack of transparency.

The RTBU because of our experience with public/private partnerships in the railway industry has been actively involved in questioning their value to the community within the wider context of arguing the case for change in financing Australia's infrastructure needs.

The RTBU together with four other major national unions funded a report in June 2005 "*Financing our Future: the case for change in financing Australia's infrastructure needs*". It is included in this submission as Attachment 2.

The Unions Report although it confirms the advantages of public investment in infrastructure, argues that there are a range of innovative financing techniques that could increase investment in infrastructure and the efficiency with which it is managed. Attached to this submission is a copy of the Unions' booklet.

Responsibility of new rail owners to invest

A significant new issue is the role of major corporations in funding regional infrastructure. The wave of privatisation and recent takeovers in regional railways means that in six states 3 companies dominate regional railways. Pacific National in Tasmania, Victoria and NSW, the Wesfarmers-ARG consortium in Western Australia and South Australia and Queensland Rail in Queensland.

The major private sector operator in Queensland is Pacific National and Queensland National and ARG have a presence in NSW with the former involved in Hunter Valley coal haulage and the latter with hauling Manildra's regional rail products.

The matter of a vertically operated transport logistics company and the impact or otherwise it will have on transport competition in a number of markets is one of the most pressing public policy issues of the day.

What is relevant to this inquiry is the role of these corporate giants in investing in regional transport infrastructure. These companies will keenly contest and bid for profitable traffics and as was seen recently with Bluescope Steel contract. But regional railways are another story.

The matter has been most sharply raised in Tasmania where Pacific National is threatening to close down its Tasmanian operations unless government contributes to funding rail infrastructure.

Governments overseas have faced these issues and solutions found. In 2004, after a disastrous privatisation, the New Zealand Government has taken back the track and will spend \$300m on upgrading the track and has reached an agreement with the new rail operator, Tolls.

In counties such a Canada and the US where regional railways are important and particularly where their grain competes in international markets with Australia various

approaches have been taken to encourage private sector regional rail investment. They should be further investigated by this Inquiry.

For vertically integrated transport companies the possibility exists to close down one arm of their land transport operations and transfer the traffic to road where heavy road freight is subsidised and where there are considerable disbenefits for the community and other industries including tourism.

A new framework will need to be developed between the three levels of government towards the gathering of data, planing and co-ordination across roads, ports and railways, the location of intermodal hubs and funding of infrastructure.