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**Submission to  
House of Representatives Standing Committee on Transport and Regional Services  
re Economic and Social Impacts of the Privatisation of Regional Infrastructure and  
Government Business Enterprises in Regional and Rural Australia**

1. The Railway Technical Society of Australasia (RTSA) is a technical society of Engineers Australia. The RTSA now has over 800 members and hosted a major Conference on Railway Engineering in November 2002 at Wollongong with over 400 participants and is hosting another such conference at Darwin in June 2004. The present submission outlines RTSA member concerns, and views expressed at the 2002 Conference.

2. The RTSA has welcomed the initiative of the Federal Government in producing the AusLink Green Paper. The approach adopted by AusLink is consistent with the findings and recommendations of the 1998 report 'Tracking Australia' from the Committee, the 1999 'Smorgon' report on revitalising rail, and the final report of the Productivity Commission's inquiry 'Progress in Rail Reform'. The RTSA was an active participant in these inquiries.

3 The Green Paper released November 2002 outlines a 'new approach to planning, developing and managing Australia's national land transport infrastructure.' The new approach is in part prompted by the projected growth in the total domestic freight task from about 375 billion tonne kilometres (btkm) in 1999-2000 to about 650 btkm by 2020. This is with an annual growth rate of 2.8 per cent, with non-bulk road freight growing at 4.3 per cent pa and interstate road freight growing even faster at 5.1 per cent pa. If nothing is done to change existing trends, then interstate road freight will almost triple by 2020.

Since "freight traffic is the major cause of road wear" (p. 13) such a scenario is costly to the nation.

4. The Society notes that the committee will examine the benefits and disadvantages of privatisation in the rail, road, aviation, ports, power and industrial manufacturing sectors. It will also consider:

*Ways of assisting the development of world class infrastructure;*

*The role of governments and the private sector in providing regional infrastructure; and Ways of monitoring, evaluating and reporting government privatisation programs.*

The Society will address some aspects of rail in this submission.

## **INTRODUCTION**

5. As shown with privatisation of rail in Britain and New Zealand, it is not sufficient for the Government to dispose of rail assets to the private sector with a few regulations and somehow expect rail performance to improve. In each of Britain and New Zealand, further Government outlays to maintain and improve rail track have been necessary. Government needs a proactive approach of both logistics / transport policy as well as regional development policy rather than relying solely on fiscal policy. Without a balanced industry policy, privatization ends up placing disproportionate burdens on sections of the community. This is particularly so for regional, rural and remote Australia.

6. The call for Government investment in rail track is for a large part driven by large Government investment in roads, without requiring road users to pay 'up front' for major new road works and low road system cost recovery from large trucks hauling heavy loads over long distances. Ongoing Federal Government transport reform investment in interstate mainline rail track in Australia is necessary and long overdue. This was identified by the Committee in its 1998 report 'Tracking Australia' and its 2001 report 'Back on Track'.

7. In addition, significant ongoing investment is required to extend urban rail systems in Australia's major cities. This is mainly a State Government responsibility in Australia. However, the Federal Government also has responsibilities to try to ensure a better balance between car use and use of urban public transport in Australia's major cities. These responsibilities extend to taxation measures for car and public transport users, facilitating private sector investment, and Government assistance. Meantime, the withdrawal of M-Train from Melbourne in December 2002 calls into question the pressures placed on rail passenger operators by cheaper cars, cheaper petrol and placing a GST on public transport fares.

The Society also considers that there is an ongoing role for intercity passenger trains. The experience in Queensland in providing moderately high speed tilt trains on existing track upgraded for faster and heavier freight trains suggests that this is a good way to go.

8. It is also of note that much rail reform was accomplished under Government ownership. This includes the drive of Australian National and Westrail towards Commercial

operations during the 1980s, and the success of National Rail during the 1990s in turning around the business of interstate rail freight losing about \$300 million per year around 1990 to make a small profit in 2001. In addition, in our view, Queensland Rail continues to do well in an increasingly competitive environment.

9. As well as an understanding of the economic dynamics between the modes of transport (road-rail competitive neutrality) there needs wider and better understanding of the market dynamics of the modes (particularly regional rail markets) and their impacts on regional development. Privatisation of regional infrastructure of itself will not necessarily induce new demand for services.

Much of regional Australia's early agricultural and industry development was based on co-operatives or 'farmer activism'. Many of these co-operatives have now successfully transformed into professional commercial enterprises (such as the Wheat Board and various state grain handling authorities).

The UK Institute of Public Policy Research (IPPR) has case-studied a number of privatization programs around the world (*'In the Public Interest? Assessing the Potential for Public Interest Companies'*). They have found that where demand for services is weak, and where services are dependant on monopoly infrastructure then including this infrastructure, in the form of a 'Public Interest Company', with user groups in control of this company, is a sustainable business model. In a sense the IPPR has found a 'back to the future' approach (which was once a strong feature of Australia's regional development) is a valid model for some privatization programs.

It is of interest that the NSW Government in introducing on 12 November 2003 Transport Administration Amendment (Rail Agencies) Bill 2003 into the New South Wales Legislative Assembly, noted, inter alia, *"In a significant departure from existing State owned corporations, this bill waives the need for RailCorp to deliver a share dividend. This provision recognises that the primary focus of the new organisation will be to deliver public transport, not a dividend or return to government."*

The new models serve to highlight emerging trends, which are now focusing on participatory governance, 'growing the business', overcoming inefficiencies (in some institutions) as well as redressing some previously bad reform decisions.

## **RAIL FREIGHT**

10. As the AusLink Green Paper released in November 2002 notes, the land freight task is set to double by 2020, and unless rail tracks are upgraded, rail's ability to carry more freight will be limited. This will result in excessively high economic, social and environmental costs imposed by road freight.

Track work since 1998 to improve rail freight completion mainly comprises new railways for iron ore and coal construction of the Alice Springs – Darwin railway, Rockhampton – Cairns and, and work resleepering within a limited budget by the ARTC on the East-West corridor.

However, the remainder of the network is now far from ‘fit for purpose’. Along with the state of the North - South corridor, concerns have been expressed about the state of the branch lines supporting Australia’s wheat exports; most noticeably in NSW (see NSW Farmers Association Green Paper November 2002) but also other States. The Eyre Peninsula (SA) and Tasmanian narrow gauge network are also considered at risk under present arrangements.

11. As established by the 1998 report 'Tracking Australia' from the Committee, the 1999 Smorgon Report on rail, the Productivity Commission's 1999 report on Progress in Rail Reform, and the detailed National Track Audit released by the Australian Rail Track Corporation (ARTC) in May 2001, there is a considerable backlog of mainline interstate track work on the North - South corridor linking Melbourne, Sydney and Brisbane.

The Track Audit found that *'significant track upgrades on the Melbourne - Adelaide corridor have reduced transit times considerably'* and such upgrades, with improved reliability, have allowed rail to attract freight traffic. After four decades of upgrades (going back to gauge standardisation in the 1960s, followed by concrete resleepering, more gauge standardisation and track straightening and other track work) the relatively good track condition and length of the Adelaide - Perth corridor has allowed rail to reach about 80 per cent of land freight on this corridor. However, rail's modal share of land freight on the Melbourne - Sydney and Sydney - Brisbane corridors is a very low 15 per cent.

12. For rail to be efficient and competitive in moving freight between Australia's three largest cities, there will have to be major track upgrades with some track straightening. As well put in a letter "Rail network urgently needs federal funding injection" Australian Financial Review 4 February 2002, *"...The trucks are there because successive federal governments have invested billions of dollars into roads over recent decades while spending negligible funds on rail tracks. No matter how good the new train owners may be, they will still be trying to do so on tracks and routes little changed since the 1920s."*

13. Just as over the last three decades, over 80 per cent of the Hume Highway has been rebuilt to modern engineering standards, there is a strong case for the construction of major rail deviations between Sydney and Melbourne. What is now needed is a planning and funding framework so that the worst 20 per cent of the Sydney – Melbourne track can be

rebuilt to modern engineering standards. The three necessary major rail deviations have been identified in the ARTC Track Audit.

The Society is seeking from Government a commitment to complete during this decade a major rail deviation between Bowring and near Frampton that was identified in the ARTC Track Audit as an S2 project (noted as the Hoare Deviation). In addition, we are seeking a commitment for advanced planning to commence, with corridor protection, for two other rail deviations between Campbelltown and Junee as noted in the Track Audit (the Wentworth Route between Menangle and Mittagong, and the Centennial deviation between Goulburn and Yass (with the option to connect to the North Canberra)).

14. Rail freight development was given further attention by the Committee in its follow up 2001 report “*Back on Track: Review of progress in rail reform*” with recommendations calling for action by the Minister for Transport and Regional Services including:

- \* establishment of a National Rail Transport Commission.
- \* giving the highest priority to declaring a national track for interstate rail services on the standard gauge network from Brisbane to Perth.
- \* urgently putting in place a 10 year track infrastructure re-development program of a magnitude comparable to that recommended in Tracking Australia.

It is pleasing so see the formation of the National Transport Commission with bipartisan support. However, in regards to track infrastructure there are growing problems, as highlighted by the reasons leading to the closure of the Menangle rail bridge earlier in 2003 for a four week period. In addition, the Infrastructure Report Card released on 5 July 2001 by Engineers Australia (see [www.InfrastructureReportCard.org.au](http://www.InfrastructureReportCard.org.au)) gave rail ratings ranging from A for the Pilbara iron ore railways to F for the Melbourne - Sydney - Brisbane track.

15. The ARTC Track Audit examined minimum market improvements needed for interstate rail freight. After economic analysis, the Track Audit recommended optimised investment of \$507 million with a combined benefit cost ratio of 3.2. This was in part due to the *external cost items of noise pollution, air pollution, greenhouse gas emissions, congestion costs, accident costs, and incremental road damage costs.*

The ARTC Track Audit identifies present terminal to terminal times of 13 hr 30 min for Melbourne - Sydney, 21 hrs for Sydney - Brisbane, with 36 hrs for Melbourne - Brisbane. These transit times would be expected to be reduced to 10 hrs 30 min, 17 hrs 30 min and 29 hrs 30 min respectively, on completion of the optimal capital works.

The consequent efficiency improvements were calculated to result in a transfer of 128,000 long haul truck movements each year to rail.

There has been wide support for the findings of the Track Audit released in May 2001. However, two and a half years later, despite a heads of agreement being signed in

August 2001 to facilitate ARTC control and upgrading of the North - South rail corridor, a formal agreement is still to be reached.

16. Even without development of an inland Melbourne - Parkes - Brisbane route, **there is much 'unfinished business' in the area of interstate freight.**

17. Regional railways are noted in the Background Briefing Paper for the present inquiry as *"An emerging issue is that of perceived cost shifting from the States to local government with rail branch line closures. The effect has been to transfer heavy grain haulage off of local branch lines onto local government roads with a consequential blow-out in road and bridge maintenance costs."*

Such "cost shifting" is not new (see the Industry Commission's 1991 Report on Rail on page 115 re the costs of closing of the Wilmington – Gladstone line in SA) but has been accentuated by recent rail privatisations. This transfer of cost may be seen as a benefit to a State government but is a significant disbenefit to local government in that it further limits the services, in particular social services, that local government authorities can offer their communities. This is at a time of considerable rural poverty and when the ageing of the rural community is increasing the need for social support.

To quote from the Industry Commission's 1991 Report on Rail on page 115, as noted by the ALGA. *"In looking at the economies of closing the branch line, the cost of upgrading the road alternative to a standard where it can do the same job efficiently needs to be taken into account. From the perspective of developing a rational transport system, the economics of saving public expenditure by closing a branch line may be illusionary if the net result is a requirement to increase public expenditure on roads."*

To this can be added the cost of road crashes involving heavy trucks (currently estimated at some 0.5 cents per net tonne km as against 0.03 cents per net tonne km for rail) and environmental externalities.

18. The issue is further complicated by ongoing relaxation of mass and dimension limits for heavy trucks whilst current road user charges for the heavier trucks result in under-recovery of road system costs. As recognised by several enquiries in the 1980s, this is a long-standing issue in Australia. Under-recovery of road system costs from the heavier trucks is recognised by the Bureau of Transport Economics in its 1999 report on Competitive Neutrality and the National Road Transport Commission (NRTC). Pending a third determination by the NRTC of road user charges in 2005, there is a good case for both putting on hold approvals for the areas of operation of longer and heavier trucks, and maintaining CSO's for rural grain lines.

19. The Society has raised this issue with the House of Representatives Economics, Finance and Public Administration Committee with two submissions. Our main submission

invited this Committee, in part, to consider measures that will allow rail to play an increased, rather than decreased role, in serving regional Australia. We also gave evidence as to some of the significant costs of closing down branch lines when rural roads then have to contend with an increased number of heavy trucks.

20. Further concern about closing rural branch lines, and putting the extra road system costs, is given in an article 'Rail-roaded' on page 1 of 'The Land' for 19 June, 2003 and comment 'Making sense of rail freight' on page 7 wherein it is noted *"On no account should these lines be closed. The fact that maintenance has been neglected is no reason to declare them 'uneconomic'. Simply, they must be brought up to standard."*

Given the recent expressions of concern re rural grain lines, the Society would request that consideration be given in the final report of the Committee on this inquiry regarding the value of maintaining rural branch lines.

The Society would also suggest that what should be happening is a full study of grain transport and logistics economics to see what is the most suitable future network that takes full account of both financial and economic costs, including roads and all externalities. This would allow Governments to make informed decisions and not just allow events to take their present course on the basis of commercial interests.

21. Although regional roads are discussed in the AusLink Green Paper, regional rail is not. Real concerns were identified in a different Green Paper released in November 2002 by the NSW Farmer's Association. These included the observations (p. 7 from a BAH report), *"Track, structures, signals and communication systems over most of the CSO network were found to have deteriorated over the last 4 years and require restoration to ensure continued operation at an adequate performance level...The inadequate performance of the CSO network has been a major constraint to operators impairing reliability and cycle times and consequently overall competitiveness."*

The NSW Farmer's Association Green Paper also notes (p. 7) *"In general terms, it is apparent that successive Governments have failed to adequately plan to invest in an integrated transport system. This is evident from the differences in track standards across Australia and the enormous variability in the quality and capabilities of rail and road systems in NSW. While upfront capital costs are significant, without adequate infrastructure rural communities, and the businesses servicing them, will be badly affected, and the divide between urban and country areas will only increase."*

22. In regards to Victoria, the Society notes the background paper comments as follows:

- *Access to essential infrastructure: The private management of regional railways in Victoria has been an area of protracted dispute between the State Government and the private rail operator, Freight Australia in part because the two parties have been unable*

*to agree on terms for third party freight operator access to the Victorian network. This has led to Freight Australia being reluctant to commit to the rail line gauge standardisation program; and*

- *The Victorian Government has also faced protracted delays in implementing its fast regional rail passenger upgrade programs to centres such as Ballarat, Bendigo and Traralgon. In part this would appear to be an outcome of the loss of direct control which the State Government has over the rail network since privatisation.*

Victoria did good work during the mid 1990s to ensure the rail alternative remains viable and competitive by investing in gauge standardisation to Portland when Melbourne - Adelaide was been standardised. The Society appreciates the investment of the Victorian Government in Regional Fast Rail and the earlier commitment to gauge standardisation. However, it was most unfortunate that relatively modest funds could not have been found to specify gauge convertible sleepers for at least the Ballarat and Bendigo lines.

Hopefully, the Victorian Government will be able to progress gauge standardisation on the other lines. National rail transport reform should support (but not necessarily drive) Victoria's broad gauge freight lines to be converted to standard gauge. This will be essential if Victoria is to achieve its stated ambition to be the freight transport and logistics centre of Australia.

The Society would also support the retention of double track for the Kyneton – Bendigo line. This may include the option of upgrading one track for high-speed passenger trains whilst leaving the other track for freight trains and later gauge standardisation.

## **OTHER COMMENT**

23. The use of Public Private Partnerships (PPP) in project delivery has to be done carefully. The use of these types of fiscal policy instruments must work in concert with industry policy. Australia's record is mixed, with situations such as Sydney's Airport Rail Link showing a need for caution. PPP should not be seen as getting public debt off the government balance sheets or 'finding a market response' to funding requirements as PPP replaces up front debt with other long-term liabilities. There needs to be more experience developed in PPP, particularly the development of a mature Public Sector Comparator (PSC). This, along with the abandonment of 'Commercial-in-Confidence' provisions of contracts would give rigour and confidence to PPP. Presently PPP is more transactional based, seemingly on a specific project, rather than an industry sector viewpoint. PPP's are pushed either by project developers (to gain profits from construction or operations) or from equity trusts (to gain earnings for equity holders). Further comment on PPP can be provided.

The development of a PSC and new accounting standards for infrastructure asset depreciation and concession agreements are emerging and it would be imprudent to move faster than the development of these standards. Lumbering future generations with



inappropriate debt – unable to generate returns, should be guarded against. The term '*Intergenerational Equity*' for the provision of infrastructure assets should be adopted as a guiding principle by Government in financing infrastructure.

A further limitation of PPP in land transport is that whilst it has provided finance for construction of some toll roads, and with the assistance of three Governments has allowed for the construction of the Alice Springs - Darwin railway line, PPP faces severe constraints as a way of funding long overdue capital upgrades of existing rail lines subject to third party access. Along with third party access rights and vertical separation of above and below rail functions acting as a disincentive to investment in mainline track straightening and other upgrading, long standing 'highway subsidisation' of road freight operations will also discourage intercity rail investment. Underrecovery of road system costs for the heavier long distance trucks not only diverts more intercapital city freight onto road, but places pressure on track owners to lower rail access pricing.

Accordingly, it will be necessary for significant advances to be made in reaching competitive neutrality between road and rail regarding access pricing and regulatory environments before Government can reasonably expect the private sector to provide adequate funds for the track upgrades required to significantly reduce train transit times.

24. Separation of rail functions: The RTSA suggests that there is a very strong case for Queensland Rail (QR) maintaining its current configuration. It is worth noting that, from a technical viewpoint, there is a fundamental flaw in the concept of separating above and below rail sections of the industry. The wheel/rail combination is an integrated system, and keeping wheels rolling on rails in an efficient manner is essential to good rail productivity. If the responsibility for different parts of this system are given to different organisations, inefficiencies in the use of the rail and the use of the rolling stock will creep into the system.

Technical advances encompassing the wheel/rail system will be retarded. Evidence of this has already appeared in Australia (with the delay in fixing the track between Geelong and Ararat where new concrete sleepers sat by the side of the track in poor condition for four years, the delays in installing a triangle at Parkes, and the delays in improving safeworking systems), and also in North America where some rolling stock owners have no responsibility for the track. One of the reasons why QR is doing well is that it remains vertically integrated. An example is the introduction of the first regular tilt train service in the Southern Hemisphere which required track upgrading as well as construction of the new tilt trains.

The case for reintegration of track ownership and train operations within the Greater Sydney Metropolitan Region was accepted by the NSW Government following the fatal Waterfall high speed train derailment on 31 January 2003.

25. The RTSA sees considerable merit in good public enterprise in the operation of efficient railways, and advocates a mixed ownership of rail networks. This is to foster competition between the public and private sector as well as increasing the opportunities for innovative activities.

26. The RTSA also sees it as essential that public, as well as private, rail entities be entitled to earn a good return on commercial operations, be able to provide sufficient funds to upgrade their infrastructure and uptake new technology so as to remain competitive and maintain skill levels.

27. Whether or not Australia chooses to ratify the Kyoto protocol (and the Society like Engineers Australia supports ratification), there is a need for the transport sector to be required by government to 'pull its weight' in reducing greenhouse gas emissions (otherwise they are set by 2010 to rise 48 per cent above 1990 levels).

As noted by the Western Australian Government's taskforce on sustainable transport, it is also desirable for Australia to reduce future dependence on imported oil.

28. As indicated previously (eg Productivity Commission's 1999 report on rail, page 8) and again in 2002 in a Freight Logistics Action Agenda and the Government's Green Paper on AusLink, an improvement in the **quality and quantity of land transport data in Australia is called for**. The Committee may wish to consider recommending that Government (preferably at a Federal level) draft and implement regulations to require public disclosure of basic rail data on at least an annual basis. This could usefully include urban passenger numbers and urban passenger kilometres, net tonnages of freight, net tonne kilometres and gross tonne kilometres.

As Australian states and Federal Government have proceeded with rail privatisation, little has been required of public disclosure by most jurisdictions. In fact, the Australian Railway Group's past record (including one page in the Wesfarmer's 2003 Annual Report which actually gave about 45 million tonnes moved) has led to the situation of many people going to Genesee and Wyoming's USA website for basic data on their Australian rail operations. Toll's 2003 Annual Report had, on one page, very little data about Pacific National's operations.

Such basic rail data is useful in transport planning. The USA has long required its private railroads to disclose basic rail data.

## CONCLUSION

Rail privatisation to date has only been part of a long reform process. Over the last decade, rail freight has grown and except for clearly defined Community Service Obligations, rail freight deficits have been eliminated. There is much 'unfinished business' on the part of Government to ensure that mainline rail tracks are upgraded to modern engineering standards in order to allow rail to be efficient and fully competitive in moving freight. Along with encouraging rail to move more people in both urban and regional Australia, there is also a need to ensure that regional branch lines are maintained to allow for grain and other freight tasks.

The AusLink Green paper is a good first step but more from Government is needed to ensure good national outcomes.



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## Summary of response to AusLink Green Paper -January 2003

### INTRODUCTION

1. The AusLink Green Paper released November 2002 outlines a 'new approach to planning, developing and managing Australia's national land transport infrastructure.' The new approach is prompted by the projected growth in the total domestic freight task, and the indication of several official reports that "*additional expenditure was required to continue upgrading the interstate rail network*" (p. 21).

The Green Paper acknowledges both congestion in urban areas and mass-distance pricing options for heavy trucks.

### FUNDING AND PRICING ISSUES

Most State Transport Ministers have expressed severe reservations about AusLink's proposed reduction in funding of the National Highway System, and the absence of funds for urban public transport. To meet these concerns RTSA proposes *AusLink Plus* to retain many of the Green Paper proposals, and to include congestion pricing plus mass distance pricing for heavy trucks.

As stated by the Bureau of Transport Economics 1999 Working Paper No 40 'Competitive neutrality between road and rail' on page xi, "*Under the current road user charging system, trucks overall are undercharged for their use of the road system.*"

*Moreover, larger more heavily laden vehicles and those travelling larger distances are charged the least (per tonne kilometre) while smaller, less heavily laden vehicles and those travelling shorter distances cross-subsidise them."*

Some form of mass distance charge is needed for the heavier trucks to redress this imbalance.

As recommended by the Fuel Taxation Inquiry, the question of fuel excise indexation needs addressing. This inquiry recommended a detailed study into transport external costs. The White Paper could well make an undertaking to complete such a study. A further option is that the **Productivity Commission be requested to hold a full inquiry into urban transport.**

The use of Public Private Partnerships (PPP) in project delivery has to be done carefully. Australia's record is mixed, with situations such as Sydney's Airport Rail Link showing a need for caution. PPP should not be seen as getting public debt off the government balance sheets or 'finding a market response' to funding requirements. Lumbering future generations with inappropriate debt – unable to generate returns, should be guarded against. The term '*Inter-generational Equity*' for the provision of infrastructure assets should be adopted as a guiding principle of the White Paper.

A further limitation of PPP in land transport is that whilst it has provided finance for construction of some toll roads, and with the assistance of three Governments has allowed for the likely construction of the Alice Springs - Darwin railway line, PPP faces severe constraints as a way of funding long overdue capital upgrades of existing rail lines subject to third party access. Long standing 'highway subsidisation' of road freight operations will also discourage intercity rail investment.

Significant advances will be needed in competitive neutrality between road and rail in respect of access pricing and regulatory environments before Government can reasonably expect the private sector to provide adequate funds for the track upgrades required to significantly reduce train transit times.

## **LAND TRANSPORT INFRASTRUCTURE ISSUES**

The RTSA submission addresses various land transport infrastructure issues including urban public transport, regional rail projects including rail haulage of wheat and interstate mainline track straightening to replace current sections with 'steam age' alignment.

1. As clearly shown by the 1999 report of the Institution of Engineers, Australia "Sustainable Transport: Responding to the challenges," we have major road traffic problems in our major cities. These problems should be adequately addressed by AusLink.

**The Sydney Greater Metropolitan Region is now home to about 25 per cent of Australia's population.** This region needs about \$20 billion of rail "catch up" investment this decade. A National Transport Plan simply cannot ignore this requirement.

In the United States, over 20 per cent of Federal land transport funds are applied to urban public transport. In addition, in New York about \$800 million a year of vehicle tolls are used to assist New York City Transit's \$11.5 billion five year capital works programme.

2. Although regional roads are discussed in the AusLink Green Paper, regional rail is overlooked. Real concerns were identified in a different Green Paper released in November 2002 by the NSW Farmer's Association. These included the observations *"In general terms, it is apparent that successive Governments have failed to adequately plan to invest in an integrated transport system. This is evident from the differences in track standards across Australia and the enormous variability in the quality and capabilities of rail and road systems in NSW."*

Although the East Coast Very High Speed Train study took a negative view of TGV and Maglev applications in Australia, RTSA considers that regional passenger rail services should not be 'written off' in the White Paper. **Regional Fast Rail** is already up and running in Queensland, and will be introduced to Victoria within the next few years.

3. The problems with interstate main line track have been dealt with in numerous official reports during the term of office of the present Government as well as a detailed ARTC National Track Audit released in May 2001. For rail to be efficient and competitive in moving freight between Australia's three largest cities, there will have to be major track upgrades with some track straightening. As per a letter "Rail network urgently needs federal funding injection" Aust. Fin. Rev. 4 Feb 2002, *"...The trucks are there because successive federal governments have invested billions of dollars into roads over recent decades while spending negligible funds on rail tracks. No matter how good the new train owners may be, they will still be trying to do so on tracks and routes little changed since the 1920s."*

Whilst AusLink acknowledges substandard track on the North-South corridor, nowhere does it mention **track straightening**. This vital corridor is the rail link between Australia's three largest cities. Numerous reports have detailed "steam age" alignment that needs straightening if rail freight is to be efficient and competitive with line haul road freight. What is now needed is a planning and funding framework so that the worst 20 per cent of the Sydney – Melbourne track can be rebuilt to modern engineering standards. Three necessary major rail deviations have been identified in the ARTC Track Audit. These include a major rail deviation between Bowning and near Frampton that was identified in the Track Audit as an S2 project (noted as the Hoare Deviation).

A Melbourne - Brisbane inland rail route is more likely to be completed, as is the Alice Springs - Darwin railway currently under construction, with some form of government assistance.

## **AUSLINK RELATED ISSUES**

1. The Green Paper recognises the value of information and notes that improved data is needed. The White Paper should outline the steps that will be taken to improve land transport data.

2. The White Paper should discuss measures that will reduce vehicle kilometres travelled, improving energy efficiency and road pricing as per the BTRE's 2002 report "Greenhouse Policy options for transport", and the National Strategy for Lowering Emissions from Urban Traffic approved by the Australian Transport Council in Aug. 2002.

It is also desirable that the White Paper develop the theme that Australia should lessen ongoing dependence on imported oil by reducing oil consumption, using such measures as cited above.

3. The education and training of rail staff is important. Running a large railway is a complex business and requires a diversity of skills, trades and professions (including accountants, engineers, and now lawyers). This requires a significant number of both skilled rail engineers and technically competent managers. The present indications show that in some areas, there will be a serious shortage of qualified railway engineers. The issue of education, training and research was examined in a 1999 IE Aust report 'Engineering for rail sector growth' and revisited by a RTSA Rail Forward Vision Task Force, in a November 2002 report 'Rail in the next decade; where to and how'. The rail industry has initiated the establishment of a Rail Cooperative Research which officially commenced on 1 July 2001 with six research themes including Industry Skills Development (Industry and Training).

4. The challenge of attracting younger people with talent who can make a contribution is not unique to the rail industry, and indeed is faced by the road freight industry as well. The White Paper needs to recognize the increase in skills, understanding, knowledge and innovation necessary for the transport sector. AusLink must take a lead in motivating and co-coordinating the provision of training, education and R & D within transport and storage. **Clearly there is a market failure (and Government failure to date) in both up skilling and education attainment within transport that is constraining Australia's future productivity and international competitiveness.**

6. AusLink should seek to redress the longstanding imbalance between Government funding of road and rail research. Additionally, in the initial stages of AusLink, there is a need to ensure that rail has sufficient funding for advanced planning to allow rail to catch up with the forward planning of major National Highway System projects. This includes an allocation in the 2000-01 Federal Budget of \$10 million for planning of the Western Sydney Orbital.

7. Recent initiatives of the New Zealand government in land transport are also relevant, as are New Zealand's longstanding system of mass-distance road user charges for heavy vehicles.

Switzerland has had kilometre charges for heavy trucks since January 2001 with part of the proceeds forming 45 per cent of a 30 billion Swiss Franc rail development fund.

In 2003, Germany is due to introduce a kilometre based highway fee for heavy trucks, with **almost two fifths of the expected \$A6 billion raised each year by the levy being applied to rail projects.** A similar approach is warranted for Australia.

## **CONCLUSION**

The AusLink Green Paper proposals are a good start but more is needed. The high growth rate of interstate road freight needs to be balanced with a move - sooner better than later - to mass-distance pricing, and there is now an urgent need to upgrade the mainline rail track linking Australia's three largest cities. In addition, any national integrated transport plan needs to assist Australia's major cities to overcome excessive 'automobile dependence'.