

Chapter 1 Introduction

Background to the inquiry

1.1 On 4 June 1997, the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform received from the then Minister for Transport and Regional Development, the Hon John Sharp MP, a reference to inquire into and report on the role of rail in the national transport network. The Terms of Reference are at page xv of this report.

1.2 In referring the inquiry, the Minister noted that the Government had announced a package of rail reform measures in November 1996. He said in his letter of referral he said, 'I regard this inquiry as fulfilling an important role in encouraging further debate on the means by which the Government can achieve its vision for the future of rail.'

Conduct of the inquiry

1.3 On receiving the reference from the Minister, the committee prepared an *Information and Issues* booklet outlining the scope of the inquiry and providing advice to those wishing to make a submission. In the course of preparing the booklet, the committee was privately briefed on 24 July 1997 by a range of interested parties representing Commonwealth departments, State rail authorities, private enterprise and research organisations. In addition, private briefings were given to the committee during the inquiry process on specific issues at the request of the committee.

1.4 The committee's *Information and Issues* booklet provided general information about rail in Australia, identified emerging rail issues and gave an overview of the committee process. Nearly 1000 copies of the booklet were distributed to individuals and organisations including Commonwealth and State/Territory Members of Parliament and departments, State rail authorities, local government organisations, financial institutions, rail associations, the rail transport industry, the rail construction industry, manufacturers, mining companies, research bodies, the media, private citizens and some motoring bodies.

1.5 The inquiry and the terms of reference were advertised nationally in the *Financial Review* on 15 August 1997 and the *Weekend Australian* on 16 August 1997. In addition, the committee wrote to about 100 individuals and organisations inviting them to make a submission.

1.6 The committee received 175 submissions and supplementary submissions from a wide range of individuals and organisations including Commonwealth departments, State/Territory Governments and departments, State rail authorities, local governments and their representative organisations, transport consultants, rail industry organisations, construction industry bodies, unions, transport lobby groups, mining representatives, private companies and action groups. The names of the individuals and organisations from whom the committee received submissions may be found in Appendix 1 of this report.

Figure 1.1 Public hearings

Date	Place	Groups represented
11 Dec 97	Canberra	Commonwealth and Territory Governments and agencies, union, public sector operators, private sector operators, industry associations, public advocacy group, national local government association and an academic.
12 Dec 97	Canberra	Commonwealth Government and agencies, union, private sector operators and public advocacy group.
17 Feb 98	Newcastle	State and local governments and agencies, manufacturers, union, and public sector operators.
18 Feb 98	Sydney	State and local governments and agencies, public sector operators, public advocacy groups, private companies using rail, and financial institution.
19 Feb 98	Brisbane	State Government and agencies, private sector operators, academic, public advocacy group and private companies using rail.
20 Feb 98	Brisbane	State Government and agencies, private sector operators, manufacturers, private companies using rail, academic and public advocacy group.
24 Feb 98	Melbourne	State Government and agencies, public sector operators, private companies using rail, and industry association.
25 Feb 98	Melbourne	Local government and agencies, private sector operators, public advocacy groups and manufacturers.
20 April 98	Adelaide	State and local governments and agencies, private sector operators, public advocacy group and public sector operators.
21 April 98	Port Hedland	Private sector operator.
21 April 98	Karratha	Private sector operator.
22 April 98	Perth	State Government and agencies, public sector operators, private contractor and public advocacy group.
4 May 98	Canberra	Industry association and consultant.
5 May 98	Canberra	Commonwealth Government, private companies using rail, private sector operators, public sector rail agencies and industry association.

1.7 The committee received 52 exhibits including reports, maps, discussion papers, letters and newspaper articles. These are listed in Appendix 2 of this report.

1.8 The committee conducted public hearings throughout Australia. The Northern Territory made a submission but chose not to attend a public hearing. A broad outline of the program is given in figure 1.1. A detailed list of witnesses appearing before the committee is provided in Appendix 3 of this report. The public hearings allowed Members to take evidence from interested parties in both urban and rural locations throughout Australia. In total, evidence was taken at 14 public hearings from 84 groups from a total of 147 witnesses.

1.9 The committee conducted 6 inspections in a number of States and the program is summarised in figure 1.2. The inspections allowed Members to visit a number of rail sites highlighting many rail issues and challenges. A list of the 37 participants in the inspections is provided in Appendix 4 of this report. A list of additional references cited in this report is listed in Appendix 5.

Figure 1.2 Inspections

Date	Area	Inspection
17 Feb 98	Newcastle	Hunter Bulk Terminal, Port Waratah one spot wagon maintenance centre, and the new locomotive servicing facility.
19 Feb 98	Brisbane	Tilt train: examination of conditions and test run of a tilt train. Great South Pacific Express: examination of heritage design and fittings and test run on the express.
24 Feb 98	Melbourne	Victoria's intermodal terminals. A. Goninan & Co Limited maintenance centre, Spotswood. VicTrack train control (CENTROL) and observation of a demonstration of an alternative safe working system.
21 April 98	Port Hedland	BHP Iron Ore Pty Ltd: rail operations, locotrol and maintenance centre.
21 April 98	Karratha	Hamersley Iron Pty Limited: port facilities, ore dumpers, '7 mile' workshops, control centre and training simulator.
18 June 98	Ararat to Gheringhap	Examination of rail infrastructure on the standard gauge track Melbourne–Adelaide.

Role of rail in the national transport network

1.10 A basic issue for the committee's consideration during its inquiry was the role of rail in the national transport network. Does rail have a role? If rail has a role, then what is this role? Should Commonwealth emphasis be placed on interstate freight only or should some consideration be given to passenger needs, even though passenger trains are largely urban traffic and on the whole a State responsibility? Should the national rail network be upgraded so it could fulfil rail's role—whatever this may be—effectively and efficiently?

1.11 On the basis of the evidence before the committee and bearing in mind the Australian Transport Council (ATC) decisions to promote rail, the committee supports an invigorated role for passenger and freight rail in the national transport network. The committee believes that where rail has demonstrated its reliability, timeliness, safety and service orientation, rail provided a successful service. There is an important role for rail in the national transport network, in particular the national interstate rail traffic which is the focus of this report.

Passenger

1.12 In the 19th century, rail was hailed as the means of making more people mobile since it was faster than horse drawn coaches, people could ride in comfort protected from inclement weather and, where overnight journeys were involved, could sleep and dine in relative comfort. It was not till after World War II that private cars and passenger coaches became more readily available. The building of multi laned roads, the speed with which cars and coaches improved in performance as well as comfort and most importantly, the car's affordability meant passengers had a more flexible and comfortable means of travelling. On the other hand, the urban rail systems in Sydney, Melbourne, Brisbane, Adelaide and Perth provide a rail system to move commuters to and from work. State government budgets historically have provided considerable off budget subsidies in the form of community service obligations (CSOs) for city rail travellers. Apart from metropolitan regions where trains conveyed people to work, school or shops, trains gradually became a means of travel only for those who had no other alternative or who wanted a 'rail' experience. The improvements to freeways and expressways, largely made as a result of community demands, meant that the car became more and more dominant.

Freight

1.13 Although in the mid 1990s road, rail and sea shared roughly a third each of the freight transport task in tonnes per kilometre, road dominated in terms of tonnes carried and value. Coastal shipping had the advantage in carrying low value, non time sensitive bulk cargoes over long distances, especially where origin and destination were near the coast. Road transport had the advantage in providing a fast, short haul, door to door flexible service (National Transport Planning Taskforce 1994, pp. 8–12). The evidence overwhelmingly supported that rail is currently not well equipped to meet the continuing pressures from road transport and shipping.

1.14 In its discussion on rail freight, the committee was conscious that much of rail freight was carried intrastate by State rail operators such as FreightCorp, V/Line Freight, Queensland Rail (QR) and Westrail. Calculations from the Bureau of Transport and Communications Economics (BTCE), based on analyses recorded in *Transport and Greenhouse* Report 94 and in data made available to the committee, indicated that in 1994–95, 84 per cent of the total freight task was intrastate while interstate freight, carried mainly by National Rail Corporation (NR), was 16 per cent (Exhibit 48, p. 1; BTCE 1996, *Transport and Greenhouse*, p. 337).

Rail in decline

1.15 The Department of Transport and Regional Development characterised sections of the rail industry as fragmented and inefficient, 'locked in a downward spiral of poor performance, unattractive investment environments and deteriorating infrastructure' (Sub 73, *Submissions* p. 1002). Problems included inconsistent operating systems, regulatory inconsistencies across jurisdictions, difficulties in gaining access to track within jurisdictions, and a reputation for unreliability and poor customer responsiveness. Many of the rail tracks still followed 19th century alignments with twists and curves, tunnels which were not sufficiently wide or high for double-stacking and bridges which were not able to take today's heavy loads. This made it difficult to run longer and faster trains. In contrast, the national highway had been strengthened, straightened and made multi laned so that longer and heavier articulated trucks could move freight smoothly and efficiently between capital cities.

1.16 As Macquarie Bank said:

Closing down the rail system, particularly the interstate basis, is increasingly likely. The big question is whether the Brisbane–Sydney link will be viable if it continues as it is, particularly with the upgrade of the Pacific Highway; and the Sydney–Melbourne link. I think we seriously have to consider that that industry will not be there in ten years time, unless something is done about it. (*Transcripts*, p. 360)

1.17 The rail freight and the rail mode share data provided by the Bureau of Transport Economics (BTE) indicated that while overall rail interstate freight was holding onto its share and rail haulage of coal and other minerals was still growing, rail's share in all other bulk commodities was decreasing (Exhibit 42, pp. 3, 12). BTE went on to say that interstate non bulk freight was a substantial and fast growing part of the Australian transport task and rail's share of interstate non bulk freight could rise from twenty per cent to twenty six per cent, provided rail infrastructure was maintained at a viable standard:

Coastal shipping has been reduced to those trades that cannot or cannot easily be performed by another mode. The main competition is now between road and rail. On current trends, road looks to be the long term winner of the contest, repeating patterns seen in most industrial countries. By 2020, road can be expected to have lifted its share of the interstate non-bulk freight task to over 70 per cent, from 57 per cent currently. However, much depends on the results of the rail reforms under way in most Australian states. (Exhibit 42, p. 32)

Support for rail

1.18 A number of submissions argued strongly in support of rail, especially for moving freight. The Department of Transport and Regional Development believed that given rail's competitive advantage in the transport of bulk goods and long distance haulage, 'rail should be an efficient and integral component of Australia's transport system, with customers accessing the most effective combination of modes to meet their specific transport needs.' (Sub 73, *Submissions* p. 1006) National Rail Corporation (NR) said 'Australia needs a strong rail sector, able to provide efficient and high quality linehaul options and able to take a share in controlling management of total logistics processes.' (Sub 26, *Submissions* p. 237)

1.19 Queensland Rail (QR) agreed that Australia needed a strong rail sector, able to provide efficient and high quality freight options, in order to sustain Australia's economic development and export competitiveness. The significant environmental and safety advantages of rail over road added to the net social benefit (Sub 40, *Submissions* p. 498). The WA Department of Transport asserted that improvements to rail infrastructure would mean more users and therefore alleviation of pressures on road systems. This would be beneficial to both communities and the environment (Sub 42, *Submissions* p. 559).

1.20 TNT Australia Pty Limited as an operator in all modes believed that Australia would derive major benefits from running an efficient rail freight system since there were 'huge potential cost savings' (Sub 44, *Submissions* p. 580). Macquarie Bank stated that 'almost all commentators agree that it is critically important for Australia to develop a world class freight and passenger network.' (Sub 30, *Submissions* p. 332) Were rail no longer a transport option the cost would impact dramatically on other transport modes, the environment and the general quality of life.

1.21 The Sydney Ports Corporation was supportive of the increased usage of rail as part of an efficient intermodal transport system for transferring goods to and from the wharf and enabling maximum utilisation of the port facilities. The current dominant use of trucks for this purpose resulted in traffic congestion around port areas, especially Port Botany, NSW and the main roads servicing the ports (Sub 62, *Submissions* p. 838).

1.22 The Corporation went on to say:

...some consideration needs to be given in the course of the inquiry to the possibility of coastal shipping playing a more influential part in the movement of goods throughout this country. Australia with its large coastline is ideally suited to coastal shipping and this cost-effective and energy efficient mode of transport has an advantage in that much of the infrastructure needed is already in place....Australia requires an efficient internal transport system to cater for the increased volume of trade....it is beneficial to the Australian economy if the underutilised resource of rail was able to improve its market share. (Sub 62, *Submissions* p. 841)

1.23 The Australasian Railway Association (ARA) maintained that the rail industry played a major role in moving the nation's freight. The industry's skilled work force comprised a substantial portion of the employment base, especially in regional areas, thus adding to national economic development. In urban areas rail contributed to reducing road congestion and pollution. It was also assessed as comparatively safe.

1.24 Citing the Australian Bureau of Statistics, ARA said that road accidents in 1993 accounted for \$6.1 billion—over 90 per cent of the total cost of Australian transport accidents. Road fatality costs totalled \$1.6 billion in 1993 whereas the cost of rail accidents averaged \$69 million (Sub 31, *Submissions* pp. 373, 376, 379–80, 405). ARA concluded that rail was the sensible transport mode, especially for moving bulk and long distance freight.

1.25 Environment Australia highlighted two key environmental issues as relevant to the transport task—greenhouse gas emissions and urban air quality. Under the Kyoto Protocol, by 2010 Australia must limit increases in its greenhouse gas emissions to eight per cent of 1990's emissions. Environment Australia went on to say:

Motor vehicles are the major contributors to air pollution in our cities...for some transport tasks, a modal shift towards rail (and particularly from road to rail) has the potential to deliver environmental benefits in terms of both greenhouse gas emissions and urban air quality. Rail is a relatively energy efficient mode of transport for passenger travel (particularly urban passenger travel in peak times) and for freight (particularly in non-urban areas). (Sub 78, *Submissions* pp. 1083–4).

1.26 The Healthy Cities Illawarra Inc. urged that 'both State and Federal Governments need to support ecologically sustainable development principles in giving an even handed approach to road and rail track funding.' (Sub 11, *Submissions* p. 78) The Highway Safety Action Group of NSW Inc. maintained that it 'should be possible to implement a strategy that will effectively integrate rail networks with other modes of transport on a national level' and that 'many road transport operators are expressing their desire to utilise rail in conjunction with existing road transport business' in order to grow their business (Sub 18, *Submissions* p. 151).

1.27 The committee did not receive any submissions which argued the reverse—namely, that rail should be allowed to fall into disuse except for niche markets because road was winning a larger share of the freight transportation task and increasingly people were preferring to fly or drive to destinations. Woolworths Limited gave evidence to support why Woolworths relied heavily on road transport for distribution of its stock. However, were there to be a dramatic improvement in the national rail system, Woolworths would consider using rail more (*Transcripts*, p. 1215). The Ford Motor Company of Australia Limited (Ford Australia) in its submission gave a number of reasons why the company no longer used rail, although it did note that an improvement in rail operations could entice a return to rail, especially as Ford Australia still had rail tracks at its Broadmeadows plant (Sub 90, *Submissions* pp. 1178–9; *Transcripts*, pp. 713–4, 716).

1.28 An article in *The Economist* pointed out that all over the world, rail was reviving as a result of new technology, deregulation and road congestion. Japanese and French engineers were racing to develop ultra fast passenger trains that could cruise at 362 km/h (225 mph).

New technology is not the only reason for renewed confidence in the future of rail travel. Investment in railways around the world is growing because governments accept that the car, the train's chief competitor, is running out of space. Congestion and pollution in many countries are now so bad that politicians are obliged to restrain road traffic either by price or by regulation. The economic balance, so long tilted against rail, is beginning to shift...Innovation, congestion and privatisation have transformed the prospects for railways. (*The Economist* 21 February 1998, pp. 19–20)

1.29 Certainly in Australia there has been renewed interest from investors in rail. These included private involvement in various rail projects such as the passenger airport links in Brisbane and Sydney, the recent purchase of former public rail operations like Australian National's freight and passenger business by a number of organisations, the proposals for a passenger fast train service between Sydney–Canberra as well as the proposals for Adelaide–Darwin and Melbourne–Darwin rail services for both freight and passengers.

1.30 In addition, QR has invested millions in upgrading the rail lines between Brisbane and Cairns, built the tilt trains and commissioned the Great South Pacific Express. Similarly, NSW has made a conscious effort to promote the use of public transport, especially passenger trains, for key events such as the Easter Show, football matches and the 2000 Olympic Games. It was also planning to integrate its passenger trains schedule with other passenger transport modes in order to encourage greater use of public transport.

Rail Summit 1997

1.31 At the Rail Summit in September 1997, the Commonwealth and the mainland States made a commitment to the upgrade of a viable interstate rail industry as this was 'important to the long term efficiency of our transport industry' (Australian Transport Council (ATC) 10 September 1997, p. 1). Ministers from the Commonwealth and the mainland States signed an agreement at this summit whereby they agreed:

- there is a clear and urgent need to reform interstate rail;
- the interstate rail network is to operate as a single network, including for investment and access;
- to establish a single management for the interstate track from Albury and Broken Hill to Kalgoorlie by 1 July 1998;
- to develop a plan for the extension of this network to Perth; and
- to develop a dedicated freight track through Sydney (ATC, *10 September 1997 Agreement*, p. 1).

1.32 This agreement was reinforced by a second agreement dated 14 November 1997 establishing a national track access body to facilitate the contribution of a commercially viable Australian rail industry to an efficient national transport system. On 24 April 1998, the ATC noted significant progress on the rail reform tasks they had established and agreed to a feasibility study for an integrated approach to road and rail perhaps through the creation of a national land transport commission (ATC, *Communique* 24 April 1997, p 1).

1.33 On the basis of the evidence before the committee and bearing in mind the ATC decisions to promote rail, the committee supports an invigorated role for rail in the national transport network. While the committee acknowledges similar roles could be played by intrastate rail in increasing rail's share, the committee focus is on the national interstate rail services in this inquiry.

1.34 Developments in freight rail services in North America and in passenger rail services in Asia and Europe have shown that where rail demonstrated its reliability, timeliness, safety and service orientation, rail provides a successful service. Quality of life issues may also favour rail in the coming decades, especially as technology improves rail's efficiency. However, nothing will save rail unless it is equipped to handle the 21st century.

1.35 Pivotal to the committee's inquiry into rail was how rail can meet the challenge of successfully retaining and growing its share of the transport task. Whether this was to be by the public or private sector was less of a concern. This report outlines the committee's thinking on the ways rail could contribute to an efficient national transport system.

Structure of the report

1.36 Chapter 2 focuses on the efficiency and effectiveness of the rail industry and discusses related issues such as the Commonwealth role, national strategy, safety, consistency and regulatory framework, environmental issues, innovations and quality of service. The chapter also discusses the importance of national strategic transport planning.

1.37 Chapter 3 discusses the rationale for and opportunities available to the private sector for participation in the rail industry. The chapter identifies possible benefits and costs of private sector participation in the rail industry and considers possible safeguards that may be required to protect the taxpayer. This chapter focuses on the wider picture rather than actual investment and ownership arrangements which are covered in chapter 5.

1.38 Chapter 4 discusses the need to improve access to and utilisation of rail infrastructure. In particular, the chapter focuses on the application of national access provisions contained in Part IIIA of the *Trade Practices Act 1974* to rail, and the development of rail access regimes at the State level. (See access case studies of Part IIIA declaration applications to date in Appendix 6). It also considers a range of access issues, including access pricing, non pricing access factors such as regulatory requirements, path availability and market structure. The chapter concludes with a brief discussion on the impediments to utilisation and costs of underutilisation of rail infrastructure, and the scope for increased utilisation.

1.39 Chapter 5 discusses the need to increase investment in public use rail infrastructure and the types of ownership arrangements that can provide for increased investment. It provides an overview of the current levels of investment—public and private sector—and considers the major issues affecting investment, including disparity in the treatment of rail and road transport, and the lack of certainty in planning. It also addresses the investment needs of the interstate rail network, and possible sources of future investment. The chapter concludes with a brief discussion of the effectiveness of various ownership arrangements in providing for increased investment in and viability of rail services.

1.40 Chapter 6 considers the appropriateness of international best practices, international models and international benchmarks for Australia's rail industry. It looks at the earlier Bureau of Industry Economics (BIE) study and discusses the usefulness of having international best practices as performance indicators for rail operators, given the move to corporatisation and privatisation among public sector rail authorities.

1.41 Recommendations by the committee appear throughout the text following the related discussion of the issue. The recommendations are also reproduced at the front of the report (with cross referencing to the relevant section in the body of the report) to assist readers.

1.42 Appendices are provided at the end of the report and present detailed lists of all submissions, exhibits, witnesses at public hearings and participants in inspections which provide the main body of evidence considered by the committee in preparing its report. It also includes a list of additional reference materials, Part IIIA access application case studies, and an outline of the general inquiry process.

Availability of the report

1.43 The report is available to the public once presented to Parliament.

- Witnesses at public hearings and those who made a submission specifically addressing the terms of reference to the inquiry will be sent a copy of the report.
- Copies of the report may be purchased from Government Info Shops.
- The report is also on the Internet through the committee's home page at:
<http://www.aph.gov.au/house/committee/ctmr/index.htm>

End of the inquiry

1.44 Once the committee presents its findings and recommendations as an advisory report to the Parliament, the committee inquiry process is completed. It is then the role of the Commonwealth Government to consider the report and respond in Parliament to the committee's recommendations. For a fuller explanation of the whole inquiry process, please see Appendix 7.