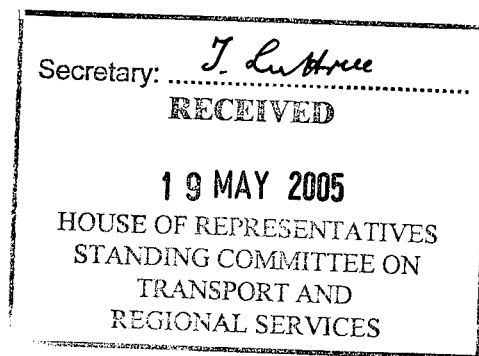


Submission by the Australian Capital Territory and South East  
New South Wales Section  
Of  
The Chartered Institute of Logistics and Transport  
To  
The House of Representatives Standing Committee  
On  
Transport and Regional Services'  
"Inquiry into the integration of regional rail road freight  
transport and their interface with ports".



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Any remarks in the Submission which are complementary to the Association are based on the statements, initiatives and policies which the Association has developed in recent years and are not linked to the assistance it gave to the authors

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Finally, in keeping with the independence of the Chartered Institute of Logistics and Transport, the views expressed in its Submission are those of the authors alone.

The authors of the Submission are:

Ted Butcher AM, FCILT.    Robyn Beetham MCILT.    Jon Bailey FCILT.

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## Executive Summary

The Submission is in three parts: – “Setting the Scene”, “Issues Raised by the Terms of Reference” and Conclusions.

“**Setting the Scene**” highlights significant recent changes in Australian transport and, in particular, the shift in Government focus toward redressing under investment in transport infrastructure against a background of an increasing national transport task.

The roles the various modes play in the transport task now and in the future are described, along with the consequences of increased haulage of containers by rail in urban areas. Government targets for the NSW and Victorian Governments have already been set for container movements from ports. With the exception of coal and minerals, rail is dependent on road for the servicing of rail grain and container terminals. Against this background, particular attention is drawn to congestion and health issues in urban areas surrounding ports.

The changes highlighted in the transport industry include:

- The involvement of the private sector in financing major road projects
- The restructuring of the rail industry to separate above and below rail operations, thus enabling the entry of private operators into the market. These operators include major companies concentrating on line haul operations and small companies meeting niche markets such as short haul operations. These rail developments have been coupled with increased private investment in rollingstock and terminals.
- Despite the efficiencies brought by private sector involvement in the rail industry there is a need to move from State based regulatory, safety and access regimes to national ones.

Recent government initiatives will have a major impact on Australia’s transport systems and assist in addressing Australia’s future transport task. These include the establishment of the Australian Rail Track Corporation Limited (ARTC), the Auslink initiative and the creation of the National Transport Commission.

ARTC was established by the Commonwealth Government to manage the national rail infrastructure network. Its commercial approach is already showing success. The Commonwealth and NSW Governments have shown their confidence in the organisation by making it the vehicle for major investment in the interstate rail system and upgrading the Hunter Valley coal lines.

Auslink is a major Commonwealth Government initiative. It will provide \$11.8 billion for Australia’s land transport systems over the five years to 2008-09. It provides a framework for planning of road and rail development on a national basis and for a more rigorous approach to project approval and program administration

Finally the creation of the National Transport Commission enables recommendations relating to both road and rail regulation. This is a recognition that the modes do not operate in isolation but in most cases form part of the same transport chain.

**Issues raised by the Committees Terms of Reference** which are specifically addressed.

- ***“the role of Australia’s regional road and rail networks in the national transport task”***

A major issue for regional transport is the long-term efficient movement of grain. Country branch lines are in a parlous condition. This has been brought about by neglect and changes to the marketing of grain. As a result of competition policies and open access to rail. Closure of country branch lines has the potential to transfer the cost of grain movement from State Governments to Local Government through increased local road maintenance charges. This in turn could affect the level of services local government can offer with a consequent reduction in the standard of living in rural areas. The closure of branch lines has the potential to affect the long-term competitiveness of Australian grains on the international market. There is a need for an integrated road and rail policy for the movement of grain and the development of this policy may require the revisiting of current competition policy.

- ***“relationship and coordination between Australia’s road and rail networks and their connectivity to ports”***

Port access benefits from major improvements to the surrounding urban road systems eg the Melbourne Ring Road or the Extension of the M5 in Sydney. There are still deficiencies in the road systems serving ports. Road projects, which will improve access to ports under the Auslink initiative, are listed.

Issues concerning coal movement to ports:

- The Hunter Valley rail system has major capacity problems but these are being addressed by the ARTC.
- Many recent coal lines have adequate capacity because they were built as part of a total mine package, particularly in Queensland.
- However there are some strategic coal railway development which would improve the total efficiency of coal movement to ports eg the Goonyella to Newlands line

Appendix “A” lists improvements planned by ARTC, to improve access to ports

- ***“policies and measures required to assist in achieving greater efficiency in the Australian network with particular to: land access”***

The work planned by ARTC, Auslink and the Australian Transport Commission will foster greater efficiency in Australian transport network. In addition the Codes of Practice being developed by Australasian Railway Association will promote greater efficiency by achieving greater uniformity in rail operations.

Private sector investment in rollingstock and terminals will also promote efficiency but will be influenced by ARTC continuing to reduce access charges.

- ***“capacity and operation of major ports”***

Many of the capacity issues at ports relate to loading capacity eg the coal loading capacity at Port Dalrymple and at Newcastle.

There is a need to make provision for land terminals and reserve rail corridors to service ports. Possible terminal sites are on Defence land at Moorebank in Sydney and Greenbank in Brisbane. Rail corridors include Acacia Ridge to the Port of Brisbane and the retention of what remains of the rail easement to Webb Dock in Melbourne. Planning for these projects should start now.

- ***“movement of bulk export commodities such as grain and coal”***

The issues relating to bulk commodities are discussed above. A factor, which will increase efficiency and investment, is competition between major coal haulers as evidenced by the entry of QR National into the Hunter Valley in competition with Pacific National.

- ***“the role of intermodal freight hubs in regional areas”***

The role and conditions necessary for the success of freight hubs are described. If freight hubs are to be viable there is a need for small operators who can serve them when larger operators may not be able to do so.

- ***“opportunities to achieve greater efficiency in the use of existing infrastructure”***

The considerable harmonisation of road regulation is contrasted to the State based approaches to rail regulation, rail safety and access. This has to change if greater efficiency is to be gained from existing infrastructure.

In the context of unused infrastructure the use of the Regional Partnerships program is raised as a means of undertaking studies to assess whether the reopening or rehabilitation of closed lines is warranted. Possible candidates include the Heywood to Mount Gambier, Tumut to Cootamundra lines and the rehabilitation of the Eyre Peninsular lines.

- ***“The role of the three levels of Government and the private sector in providing and maintaining the regional transport network”***

All three levels of government have a role in providing and maintaining the regional transport network. The Commonwealth's has a role as a provider of funds through Auslink. The States role is through their control and ownership of the regional road and rail systems and local government through its control of the local road system. Local government has an important role through its control of land use planning and in its representation of local interests.

## **Conclusions**

There is recognition by Governments that under investment in ports and transport systems is having an adverse effect on the Australian economy.

The Commonwealth Government has taken a series of initiatives to address the under investment in transport and to improve transport planning and coordination at a national level. But the success of these initiatives rests on the active cooperation of all levels of government.

Considerable progress has been made in the harmonisation of road regulation but much needs to be done in relation to rail regulation, rail safety and access. These are at present State based and in the longer term may need to be administered by national bodies.

The Australasian Railway Association is doing much to foster operational efficiency through developing Codes of Practice.

Resolution of the means of moving grain is a major regional transport issue. There is a need for integrated policy, which will address the future of grain branch lines. Failure to develop such a policy could have adverse effects on rural communities and the competitiveness of Australian grains on the world market.

However, for the proposed initiatives to retain credibility work must commence as soon as possible.

Submission by the Australian Capital Territory and South East New South Wales  
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and Regional Services'  
"Inquiry into the integration of regional rail and road freight transport and their  
interface with ports".

## **Introduction**

The Chartered Institute of Logistics and Transport is a professional body for those engaged in transport and physical distribution. It was founded in London in 1919 as the Institute of Transport. On November 26 1926 it was granted a Royal Charter "to promote, encourage and coordinate the study and advancement of the science of and art of transport in all its branches".

The Institute was established in Australia in January 1935.

Today the Mission Statement of the Institute is:

"Providing leadership in research, policy and professional development and supporting continuous improvement in the Transport and the Logistics Industry. Our aim is to raise the standard of performance in the Industry".

It is in the context of this Mission Statement that the following submission has been prepared.

## **Aim**

The aim of this submission is to raise issues which the Committee may wish to consider when drafting its report on the "integration of regional rail and road transport and their interface with ports" and so add value to the Committee's deliberations and its report to the Deputy Prime Minister and Minister of Transport and Regional Services.

## **Setting the Scene**

The purpose of this section is to highlight significant recent changes in the transport industry and the changing roles of the various modes.

## ***Current Concerns***

The Commonwealth Government, the Federal Opposition (1) and the Reserve Bank of Australia have recognised the impact of port congestion and a lack of investment in transport infrastructure in recent years on the economy. This is evidenced by an overall fall in infrastructure investment from 7% of Gross Domestic Product in the 1970s to 3.6% in 2004. These economic impacts include inflationary pressures, lost market opportunities, inefficiencies in transport systems, increased costs and a reduction in the competitiveness of Australia's exports. This has occurred at a time of



increased international demand for Australia's mineral exports particularly coal and iron ore. As a result the terms of trade have moved significantly in Australia's favour.

It has also occurred at a time when there has been an increasing political and community awareness of the future transport task in Australia. The total transport task is expected to double over the next twenty years.(2) Bulk freight will grow with the increase in bulk production; particularly export oriented mineral traffic. Rail and coastal shipping will largely undertake this part of the transport task. Domestic non-urban bulk freight is expected to grow at 2.2% per annum between 2000 and 2020.(2a) Roads share of the bulk transport market is expected to double by 2020.(3) Non-bulk freight will be dominated by road transport. Total non-bulk (non-urban) road freight is predicted to have an annual growth rate of 4.3 % to 2020 with interstate road transport growing at 5.1%.(4) Total container traffic is expected to grow by 66% across Australia's mainland ports by 2013.(5) This growth in container throughput will test the capacity of land transport infrastructure.

The recognition of these developing situations has resulted in the Prime Minister establishing a committee to look at the reasons for the under investment in ports. It is understood that the Committee will pay particular attention to the effects of current competition policy on port investment and inefficiencies caused by the duplication of Commonwealth and State competition regulatory authorities. It is also understood the Committee will concentrate on Port Dalrymple in Queensland and the Port of Newcastle.

This submission will not specifically cover the competition issues being addressed by the Prime Minister's Committee although issues relating to competition policy will arise in relation to grain branch lines.

### *Nature of the Modes*

Road transport is best suited to short haul non-bulk transport particularly from ports to city destinations. However it is predicted that there will be an increasing involvement of road transport in the carriage of bulk products. (6) This is predicated on a failure of rail to increase its share of the transport task and improve the services it offers.

Issues, which will affect road transport's capacity to efficiently handle short haul non-bulk traffic in urban areas, particularly containers, include the increasing cost of road congestion and the community's concern about impacts on health of motor vehicle emissions. In 1995 it was estimated that the total congestion cost in all mainland capital cities was \$12.8 billion and by 2015 it will be \$29.7 billion.(7) In addition, "It has been estimated that there were between 750 and 1700 early deaths attributable to traffic pollution in Australia's capital cities in 2000" Auslink "White Paper"(8).

Rail is best suited to long haulage of bulk cargoes particularly minerals, coal and grain and container movements over long distances. Increasingly rail will undertake short haul container movements in metropolitan areas. These movements will be similar to those currently occurring from Port Botany to container depots at Minto and Yennora. This will occur as road congestion rises and as a result of government policies. For example the New South Wales and Victorian Governments have set targets of 40% and 30% respectively for rail movement of containers from the Ports of Botany and Melbourne. (9)

However, with the exception of coal and minerals rail is dependent on road for the initial movement of its freight. In the case of grain movement to rail receival points. In the case of containers road movement to rail depots and at ports road is required to move containers to container stacks at berths.

In relation to sea, Government and infrastructure decisions will influence the use of particular ports. Decisions such as that of the New South Wales Government to transfer all non-bulk and container cargoes from Sydney Harbour to Port Botany, Port Kembla and Newcastle. Similarly the decision whether or not to deepen the channels in Port Phillip Bay will be a major determinant of whether the Port of Melbourne retains its position as Australia's largest container port. However the ultimate decision as to what ports are used rests with shipping companies. While the major factor influencing this decision is the ultimate destination of a particular cargo, port efficiencies and landside connections are significant considerations.

### ***Changes in the Transport Industry***

One of the most significant developments in the road industry has been the increasing involvement of the private sector in the financing of major road projects through "BOOT" or similar schemes. Examples of this include the Melbourne Citylink project and the Hills Motorway in Sydney. Private investment will be a significant feature in the building of Sydney's Ring Road.

The Commonwealth has been involved in road funding since 1926. Over the last thirty years it has made significant funds available to road infrastructure through programs such as the National Highways program, the Export Roads Program, the Roads of National Importance Program and under the States Grants Roads Acts funding for urban and arterial roads and local roads. Similar funding has not been available for rail.

Over the same time there has been an increase in gross vehicle mass limits which has enabled greater road vehicle efficiency but in turn has required higher construction standards coupled with increased maintenance costs. These higher road construction and maintenance costs have not been borne in full by the road transport industry with the deficit being met by Governments.

In recent years rail has undergone major structural changes brought about largely through the introduction of competition policy, which has resulted in the opening of rail infrastructure to private operators. Some States, such as Victoria and Western Australia, have also granted long term leases over their rail infrastructure to private companies. Only Queensland Rail remains a traditional government owned fully integrated railway.

This has resulted in the restructuring of rail operators into three major private companies – Pacific National, Queensland Rail and its subsidiary of QR National and the Australian Railroad Group. These three larger groups have tended to concentrate on coal, grain and multi modal traffics.

There have also developed smaller operators to serve niche markets such as short haul operations, "hook and pull" operations and providing specialist operations. Included in this group are firms such as Silverton Rail, South Spur Rail Services and Lachlan Valley Rail Freight. There are also companies, such as Chicago Freight Car Limited Australia (CFCLA), which specialise in leasing engines and rolling stock.

There has been increasing private sector contractor involvement in track maintenance and construction.

Private companies have made significant investment in rolling stock as evidenced by the purchase of engines and rolling stock by Pacific National to enable it to enter the Queensland narrow gauge system.

While these structural changes have led to efficiency gains and private sector investment, much still needs to be done particularly in the development and adoption of national codes of practice, and a move from State based regulatory, safety and access regimes to national ones.

The Australasian Railway Association as the peak industry organisation for rail has taken the initiative in developing codes of practice for the industry and gaining their adoption. (10)

### ***Government Initiatives***

The Commonwealth Government has taken a number of major initiatives, which will impact on the Australian's land transport systems. These include the establishment of the Australian Rail Track Corporation Limited (ARTC), Auslink and the creation of the National Transport Commission.

The Commonwealth Government established the Australian Rail Track Corporation Limited as a public company to manage the national interstate rail infrastructure in 1997

Already the Corporation has made significant improvements to interstate rail infrastructure.

ARTC has created a national access regime for the interstate network, which it controls. This has been achieved through its ownership and leasing of rail infrastructure or acting as agent for railways, which retained ownership of their interstate lines. It has adopted a commercial approach to rail infrastructure maintenance, construction and planning. To achieve this it audited the total system under its control to ensure that funds were spent on those areas, which offer the best returns both operationally and financially. Its approach to maintenance and works programs contain the following elements:

- Taking a life cycle approach
- Developing cost effective long management strategies
- Providing defined service levels and performance monitoring
- Managing risk of failure
- Sustaining the use of physical assets
- Continuous improvement in management practice.(11)

ARTC also provides a vehicle for government investment in rail. These investments include:

- \$450 million in the May 2004 Commonwealth Budget. This will be used primarily for the upgrading of the Sydney –Brisbane line
- \$550 million under the Auslink program to improve rail and intermodal facilities in Sydney, Melbourne, Adelaide and Perth over the next five years
- As part of the lease agreement for the New South Wales interstate system the Commonwealth has provided \$143million in new equity and waived dividends for five years during the adjustment period of the lease. The New South Wales Government will also supplement the Commonwealth contribution with \$60 million during this adjustment period.(12)

Investment of this magnitude reflects the confidence Governments have in the management of ARTC and its successful management of its assets to date.

Already under the stewardship of ARTC there has seen an increase in rail traffic on lines it owns or manages. In 2003/04 intermodal traffic increased by 7.5% on the ARTC network. While on the East/West corridor rail's market share of the total land transport task reached 81%. in 2003/04. (13)

A significant development for ARTC has been its lease for sixty years of the New South Wales interstate system and the Hunter Valley coal lines. The lease will involve an investment of \$872 million over the next five years. This program has involved the employing of over 400 engineering and administrative staff and the secondment to ARTC of 1200 train control and maintenance staff. (14)

In addition ARTC is taking over the management of the remaining New South Wales country lines. However the policy decisions relating to which lines will be upgraded and levels of expenditure on them will remain with the New South Wales Government.

A significant measure of ARTC's success has been that over the last five years of its operation it has been able to reduce operators' access costs in real terms by 23%. (15)

A significant initiative in land transport taken in recent years is Auslink. It will provide an injection of \$11.8 billion for road and rail over the five years to 2008-09 (16). It also makes provision for private sector investment in transport projects.

Auslink will provide a vehicle for national transport planning. Its approach is to look at the needs of individual transport corridors free from modal constraints and those imposed by States' interests. Rather the approach is to seek agreement with States so that there can be a coordinated approach to corridor upgrading. The Auslink legislation also provides for a more rigorous approach to project approval and program administration.

The final significant transport initiative was the establishment in 2004 of the National Transport Commission to replace the National Road Transport Commission. The new

Commission will be able to make recommendations relating to regulation of both road and rail. This is recognition that almost all freight journeys involve more than one mode and that a decision relating to one mode has the potential to affect other modes eg decisions on road vehicle charges. The new Commission responsibilities recognise that there are problems, which are common to more than one mode eg driver fatigue.

### **Issues raised by the Committee's Terms of Reference**

To assist the Committee the remainder of the submission will address the Terms of Reference as set out in the reference given to it by the Deputy Prime Minister and Minister for Transport and Regional Services.

#### ***"the role of Australia's regional road and rail networks in the national transport task"***

The road system plays the major role in regional transport in relation to non-bulk cargoes. This is expected to increase with the increase in Australia's transport task.

Rail has a significant role in the movement of minerals, coal and grain.

The key issue developing in regional transport is the role of road and rail in the movement of grain. Two issues will influence the future roles of road and rail:

- Changes to the marketing of grain in particular the concentration of receival points on the rail systems and the increasing use of road for short haul operations.
- Decisions to rehabilitate, subsidise or retain country grain branch lines.

The movement of grain and the future of branch lines are issues in New South Wales, Victoria, South Australia and Western Australia.

Prior to the introduction of competition policy the marketing of grain was controlled by government owned monopolies such as the Australian Wheat Board.

Grain was moved from largely government owned grain elevator authorities by rail. This system had some cross subsidisation in that long main line hauls subsidised smaller branch line operations. In addition many States supported their branch line network through community service obligation payments (CSOs). This system had its inefficiencies eg limited opening times for silos but, despite these, the system did meet the needs of the grains industries, and in particular the need to have a transport system with sufficient capacity to meet seasonal peaks and handle large grain flows.

With the deregulation of grain marketing there was a concentration of marketing in the hands of a limited number of marketing corporations such as GrainCorp. GrainCorp owns the grain loading facilities at Portland and Geelong (17) These corporations engaged in fierce competition. Their prime purpose is to sell grain in a competitive international market. Consequently they look to cut costs. This includes the short haul carriage of grain to ports by road and the avoidance of entering long term contracts with rail companies. These contracts could have justified the maintenance of branch lines. At the same time most States removed their CSOs from

branch lines and others considered that adequate maintenance and the upgrading of lines to take modern rolling stock was not warranted.

The net result is that Australian grain branch lines are in a parlous state, lacking maintenance and serviced in many cases by locomotives that are up to forty years old. The upgrading of the existing branch line locomotive fleets is a serious issue for rail operators. This is evidenced by Pacific National requesting an allocation of funds from the New South Wales Government to assist in upgrading these locomotives. The Chief Executive of Pacific National is reported as indicating that the rebuilding of some 48 Class locomotives (light branch line locomotives) would remove one obstacle to Pacific National continuing to service 15 NSW grain only branch lines beyond 2007 when its Community Service Obligation to haul grain on these lines expires. (18)

The issue of branch lines is more than a purely transport one. The effect of the closure of branch lines is the transference of transport costs from States to local government, which have the primary responsibility for the maintenance of local roads. Many of these roads were not designed to carry the volumes of grain that would result from branch line closures. Increased road maintenance costs also arise from the concentration of grain receipt at fewer larger rail terminals.

The cost of branch line closures will also have an effect on regional communities in that funds that would have been devoted to other community activities will have to go on road maintenance. It is estimated that rail haulage of grain offers a saving of an annual \$124 million in road damage and externality costs.(19)

The closure of branch lines will have long term implications for the grains industry in that it will be deprived of a transport system capable of meeting peak flows and in a deregulated transport market trucking rates can be expected to rise during peak demand.

While the resolution of the future of branch lines rests primarily with the States as they control and regulate road and rail in regional areas, the Commonwealth may have to address aspects of its present competition policy where deregulation of the marketing and haulage of grain may be having adverse long term effects on the rail grain transport system.

This is not just a transport issue but in the long term may have an adverse effect on the competitiveness of Australian grains on the international market.

The resolution of these issues is urgent, as the loss of many grain branch lines is imminent. This may require the revising of community service obligations or consideration of some form of subsidy to the grower or the grains industry if rail is used. The payment of a CSO directly to the rail operators to enable continuation of branch line operation could be counter productive as it could prevent rail charging the full cost of its service. Any CSO or subsidy should reflect the cost of the service, offer incentives to improve efficiency and provide incentives for customers to use rail. At very least there is a need for an integrated policy covering road and rail for the handling of grain.(20)

***“the relationship and coordination between Australia’s road and rail networks and their connectivity to ports”***

Australian transport history has been characterised by a lack of coordination between road and rail systems. Recent Commonwealth initiatives will have an impact on this “silo mentality”. A mentality which has been characterised by unhelpful competition for resources between the modes. These initiatives include:

- the creation of the National Transport Commission to make recommendations on regulation of both road and rail
- the Auslink initiative

Both of these initiatives are described in detail above.

There is also a changing industry attitude where representative bodies are increasingly working together to address industry issues from a transport point of view rather than a modal one. The Australasian Railway Association has actively fostered this approach.

The connectivity of road and rail to port differs.

Road connectivity to port is directly related to wider improvements to the surrounding urban road systems. Examples where ports benefit directly from urban road system improvements include:

- the City Links Freeway and Ring Road in Melbourne which provide direct links to the Port of Melbourne
- extension of the M5 Freeway in Sydney which has improved Port Botany’s connection to the industrial areas of south west Sydney
- the Gateway Bridge and its associated National Highway connections which enable freight to move from the north and west of Brisbane to the Port.

However there are still significant defects in the road systems serving ports. For example the inadequate road links from Port Botany to the inner western and northern suburbs of Sydney. The Auslink initiative includes road projects, which will improve access to ports. These include:

- improved connection from the Western Freeway to the Port of Melbourne via Todd Street
- improved road links to the Port of Adelaide and Outer Harbour
- improved road links to Fremantle Port via the Stirling Highway
- connection between the Bruce Highway and the Port of Gladstone
- the Port of Brisbane Motorway
- improvements to the Foreshore Road to Port Botany
- the East Tamar Highway and Bell Bay Road
- \$13.7 million on Tiger Brennan Drive and Berrimah Road for access to the Port of Darwin.(21)

With the exception of the Hunter Valley system, bulk coal is relatively well catered for. This is because most recent coal developments have included rail infrastructure

as part of mine development for example, the Rollingsstone Line currently being built to service the new Rollingsstone mine in Queensland. However even with a well developed and modern rail systems such as that servicing the coalfields of central Queensland there are opportunities for strategic improvements. For example the "missing link" between Goonyella and Newlands which would enable coal trains to avoid congestion at the Port Dalrymple Coal Terminal in favour of Abbot Point Terminal near Bowen. The Queensland Premier has announced a \$25 million for feasibility, design and approval works for this project and associated port improvements. (22)

ARTC already has in hand planned developments to improve the capacity of the Hunter Valley system involving an expenditure of \$152million including track strengthening and almost \$67million to eliminate bottlenecks. This will increase the capacity of the network from 85 million tonnes of coal per year to over 100million tonnes per year.(23)

However the current boom in international demand for coal and iron ore has meant that there is a need for increased rail capacity in both government and privately owned infrastructure. This is not a major issue from a financial point of view as distinct from other rail improvements as these developments are largely commercially viable.

As discussed above the improvement to rail movement of grain to ports relates directly to decisions concerning the future of country branch lines.

In relation to non-bulk rail access to ports there are a number of improvements planned by ARTC, which will improve port/rail connectivity. These are listed at Appendix "A"

***"policies and measures required to assist in achieving greater efficiency in the Australian network with particular reference to:***

- ***land access to ports"***

As indicated above significant Government initiatives have been taken or are presently being implemented which will improve the efficiency of ports by increasing the efficiency of the Australian transport system generally. These include:

- Auslink and its associated investment and proposed projects
- the establishment of the National Transport Commission
- the ARTC as a instrument for major investment in rail and project implementation
- adoption of national Codes of Practice being developed by the Australasian Railway Association which promote efficiency by achieving greater uniformity in rail operations (24)

These initiatives will be supplemented by private sector investment in rolling stock and terminals. Pacific National alone plans to invest in the region of \$650 million in rolling stock and terminal infrastructure over the next five years. (25) However it should be recognised that private sector investment will be dependent on a number of factors, the key one being that its rail operations are profitable. This in turn will be influenced by ARTC continuing to achieve the efficiency gains it has to date and these efficiencies being reflected in lower access charges



Greater efficiencies will also be achieved by the construction of the specific port related rail projects listed in Appendix "A".

***"capacity and operation of major ports"***

The major improvements needed to ports are loading facilities such as the capacity improvements at Port Dalrymple and Newcastle. There is also a need to deepen the channels in Port Phillip Bay to enable the handling of Panamex vessels. These developments will increase the capacity of key ports. However care should be taken to concentrate investment in major ports. Australia has a record of over investment in minor ports, which is wasteful of resources.

There are a number of landside constraints, which should be addressed in the relatively short term or planned for. These include:

- the lifting of the loading gauge in the Bunbury Street Tunnel at the entrance to Dynon rail yards. This would enable double stacking of containers. If this is not feasible for engineering reasons an alternate approach to the yards should be found. In the longer term a program should be developed to enable double stacking on selected interstate routes.
- retention of what remains of the rail easement which used to service Webb Dock in Melbourne. Because Webb Dock is at the mouth of the Yarra River its future development could be necessary as larger vessels serve the Port of Melbourne.
- in Brisbane, a need to reserve a rail corridor from the Acacia Ridge Rail Terminal to the Port of Brisbane at Fishermans Island. There is also a need to plan for the development of another rail terminal in Brisbane possibly using Defence land at the Greenbank Military Training Area.
- in Sydney, a need to reserve terminal sites in the metropolitan area. These could include the development of a terminal on Defence land at Moorebank and development by the Port of Sydney Corporation of a terminal at the Enfield Marshalling Yards site. (26)
- These projects are in addition to those listed at Appendix "A"

In relation to the projects described above it is important to make adequate provision for terminals. There is little value in upgrading rail lines if there is not adequate terminal capacity to load and unload trains.

In developing container depots it is essential that local government be involved so that proposals can be included in local planning schemes, local community issues can be dealt with and provision can be made for road access. In this context the Committee should note the failure of National Rail to establish a container terminal at Enfield due to opposition from local government and community interests.

States also have a role to play in the development of terminals, as proposals have to fit into States' strategic development plans and land use plans.

However it is essential that planning for these developments commence NOW and where possible reservations be included in town planing schemes.

***“movement of bulk export commodities such as grain and coal”***

As indicated above landside capacity for the movement of coal by rail is relatively well catered for. The exception to this is the Hunter Valley. The capacity problems on the Hunter Valley rail system are being addressed by the improvements planned by ARTC.

In the case of grain the major issue is away from the ports - the handling of grain in rural areas. This has been discussed in detail above.

A factor which will increase efficiency and investment in coal handling is competition between major rail coal haulers as evidenced by the entry of QR National into Hunter Valley coal haulage.

***“the role of intermodal freight hubs in regional areas.”***

Regional freight hubs have been established in New South Wales at Blayney, Griffith, Newcastle and Parkes, and in Victoria at Horsham and Wodonga. The role of freight hubs is to consolidate cargoes and containerise them particularly for export. The success of freight hubs is dependent on:

- the nature of their freight catchment,
- the catchments ability to generate relatively large volumes of traffic,
- the operators ability to offer a high level of service to customers,
- the negotiation of competitive freight rates
- and the availability of rail operators to service the hubs.

The Parkes regional freight hub is unique in that one of its prime reasons for success is that it can double stack containers for South and Western Australia.

A challenge for freight hub operators is to find rail operators to service them as major operators, for good commercial reasons, are concentrating on interstate, coal and grain operations. Consequently it will be necessary to insure that there are sufficient small rail operators to meet the needs of niche markets such as short line operations, “hook and pull” operations and urban short haul services, and to provide a reserve of equipment to meet seasonal traffic fluctuations.

***“opportunities to achieve greater efficiency in the use of existing infrastructure”***

There are opportunities to achieve significant efficiencies in rail operation through a national approach to rail administration in particular rail access, rail safety and rail regulation. At present with the exception of the system under the control of the ARTC rail access, rail safety and rail regulation rests with the States leading to increased costs and differing regimes.

This is in sharp contrast to greater harmonisation of road regulation. This has been achieved through the active cooperation of State road authorities through organisations such as the National Association of State Road Authorities and its

successor Austroads. In more recent times the National Road Transport Commission has enabled a national approach to road regulation.

As indicated above the implementation of the codes of practice being developed by the Australasian Railway Association will promote greater rail efficiency.

In the context of “greater efficiency in the use of existing infrastructure” a significant Commonwealth initiative is the Regional Partnerships program. It has as one of its aims to “support planning by investing in projects that assist communities to identify and explore opportunities and to develop strategies for action”. (27) Three rail projects have been proposed for this program. They are:

- reopening of the Tumut-Cootamundra rail line to service the timber industry in the Tumut region and in particular the development plans for the expansion of the Visy paper mills.
- reopening of the Heywood – Mount Gambier line as a standard gauge railway to enable wood and wood chips to be moved to Portland
- rehabilitation of the isolated narrow gauge lines on the Eyre Peninsular to improve the movement of grain to Thevenard.

The Heywood- Mount Gambier project and the rehabilitation of the Eyre Peninsular lines could have a major impact on the capacity and efficiency of the Ports of Portland and Thevenard. If these two projects are not undertaken these wood chip and grain traffics will be transferred to road with consequent increases in road maintenance costs, which would have to be borne by the community.

Failure to undertake the Heywood-Mount Gambier project could have a significant impact on the amenity of Portland due to increased truck movements. There would also have to be significant investment in the Border Highway to cater for increased truck movements.

The Tumut line reopening and the Eyre Peninsular line rehabilitation have the active support of their surrounding local government authorities.

The Regional Partnerships Program could be used to finance feasibility studies into the three projects to assess their community benefit, costs and their long-term viability. In the case of the Eyre Peninsular lines an initial engineering study has been undertaken into parts of the system. (28)

***“The role of the three levels of Government and the private sector in providing and maintaining the regional transport network”***

All three levels of Government and the private sector have a role in providing and maintaining the regional transport network.

The Commonwealth has a role at the macro level through competition policy and taxation policy. It also has a direct role in the development of national transport policy and the implementation of the Auslink program and providing funding under that program for transport infrastructure. As the owner of ARTC and its major fund provider it will contribute to the improvement of the regional rail systems.

Decisions by the Commonwealth in relation to Defence land could significantly influence terminal development in Sydney and Brisbane. The release of surplus Defence land at Moorebank in Sydney and Greenbank in Brisbane could have a major influence on the efficiency and capacity of the East Coast rail corridor. These potential terminals will assist in the efficient distribution of freight to the regional rail networks.

The National Transport Commission is the creation of the Commonwealth and the States. It has through its recommendations particularly those relating to road vehicle charges and vehicle mass limits the potential to affect, not only national road transport, but also regional road networks. Increases in gross vehicle mass have the potential to increase costs which local communities may well bear through increased maintenance costs on local roads.

The States have the major responsibility for regional transport networks through their ownership of roads and railways and their responsibility for State transport planning and development. It should be noted that in Victoria and Western Australia the long term leasing of rail infrastructure to private operators has placed constraints on the rail initiatives Governments can take. This was a significant issue in the development of Victoria's Regional Fast Train project and proposals for rail standardisation.

The primary responsibility for assistance to local government for the funding of local road systems rests with the States. Although the Commonwealth has largely withdrawn from this area since it moved from providing tied grants to the States to general Financial Assistance Grants, it provides some funding through the "Black Spots" and "Roads to Recovery" programs. It should be noted that the Auslink initiative will provide some funding for local roads.

Local government has the major responsibility for the construction and maintenance of the regional road system. It also has a major influence on development of regional transport systems through its powers in relation to land use planning.

Consequently there is a need for active cooperation between all levels of government if efficient and effective regional transport systems are to be established and maintained. It is suggested that the Auslink initiative will provide a vehicle for this cooperation particularly between the Commonwealth and the States.

If the initiatives the Commonwealth Government has taken, particularly in relation to rail, are to be seen to be creditable work will have to begin as soon as possible. It is recognised some major projects require detailed planning, land acquisition, legal negotiations and environmental impact statements which may impose delays but these should be minimised wherever possible. As distinct from earlier Commonwealth rail initiatives ARTC has done considerable preliminary work. It is essential that it be given the resources necessary to carry out the tasks it has been set. A key feature in achieving the outcomes set for ARTC and Auslink is the active cooperation at all levels of government. Delays due to "turf wars" could prove fatal.

A major factor influencing private sector investment in rail terminals and rolling stock will be the success of ARTC in achieving the efficiencies it has planned for rail

infrastructure. If these are achieved reductions will be possible in access charges which in turn will encourage private sector investment.

### **Conclusions**

There is recognition by Governments that under investment in ports and Australia's transport systems is having an adverse effect on the Australian economy. However these specific deficiencies will be influenced at the macro level by government policies which include:

- competition policy
- taxation policies
- and national approaches to reform, funding and regulation of transport systems

The Commonwealth and State Governments have already taken or are implementing specific initiatives to address under investment in transport and to improve transport planning and coordination at a national level. These initiatives include:

- Auslink as a vehicle for national transport planning, Commonwealth/State cooperation, funding and a more rigorous approach to transport investment and administration
- The creation of the National Transport Commission to provide recommendations on the regulation of both road and rail
- The use of ARTC to develop the interstate rail system and improve the movement of coal in the Hunter Valley. Projects planned by the ARTC will improve connectivity to ports and port efficiency

The success of these initiatives will rest on the active cooperation of all levels of Government and the private sector.

While there has been considerable progress in the harmonisation of road regulation much still needs to be done to develop a national approach to rail regulation, rail safety and rail access. In the long term this may require the development of national bodies to carry out these functions instead of the multitude of State organisations which exist at present.

The Australasian Railroad Association has made a major contribution towards the development of a national approach to rail management through its development of Codes of Practice. It has also fostered a multi modal approach to transport issues through active cooperation with the trucking industry.

In relation to regional transport systems one of the key issues to be resolved is the movement of grain. This will involve decisions on the future of rail branch lines. To let them close through neglect could significantly shift the cost of maintaining regional transport systems from the State to local government by imposing on local government additional costs associated with road maintenance. These additional costs have the potential to limit the services local government can offer and consequently the standard of living of rural communities. In addressing the future of grain carrying branch lines it will be necessary to revisit competition policy in

particular rail access regimes. In reviewing the future of branch lines the impact of changing marketing arrangements will have to be taken into account.

While responsibility for resolving issues relating to the movement of grain rests primarily with the States, the Commonwealth will be involved because of its interest in competition policy and a desire to see the grain industry retain its international competitiveness.

The Regional Partnerships Program can assist in providing funding to enable studies to be undertaken which could demonstrate the feasibility and sustainability of regional transport projects.

All three levels of Government have roles to play in improving connectivity to ports and the efficiency of regional transport systems in particular local government as a planning agency, a representative of community interests and as a source of funds.

Planning for improvements to port connectivity and improvements to regional transport systems must start now. This includes the reservation of transport corridors, reservation of terminal sites and the preservation of existing transport easements.

However if the initiatives proposed to be taken at a policy and legislative level are to retain credibility then work on the ground must be seen as soon as possible.

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- 20 Ibid Page 2
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- 22 ARHS (NSW) – “Railway Digest” Page 6
- 23 ARTC – Annual Report 2004 Page 17
- 24 See Note 10 on Codes of Practice under development by the ARA.
- 25 National Press Club – Telstra Address given by Mr Stephen O’Donnell, chair of the Australasian Railway Association – 16 February 2005 – Page 4
- 26 See Note 9 above.
- 27 DOTARS – <http://www.regionalpartnerships.gov.au/factsheet.aspx>, - “Regional Partnerships: Simpler Access to Australian Government Support for Regional Projects” Page 1
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**Planned or Proposed Rail Access Improvements to Ports**

**Source:** Ministerial Press Release by the Deputy Prime Minister and Minister for Transport and Regional Services dated 7<sup>th</sup> June 2004 entitled "Auslink White Paper – On the Right Track"

**New South Wales**

- Improved freight train access between Newcastle and Sydney by provision of refuges and overpasses at seven locations on the City Rail network (\$55 million)
- Reduce congestion of freight and coal train movements by duplicating 63 kilometres of track between Wallarobba and Stratford on the northern approach into Maitland
- Construct a dedicated freight rail line from Macarthur to Chullora in Sydney
- Hunter Valley railway investments will upgrade 452 kilometres of track and signalling (\$152 million by ARTC)
- Sydney urban freight links will have \$110 million spent on them:
  - Interim works on the Main North Line to improve efficiency
  - Addressing a bottleneck between Rhodes and Concord West to improve south-bound freight trains to Chullora/Enfield
  - Construction of passing loops at Thornleigh on the Northern Line to improve reliability and reduce freight and passenger traffic conflict
  - Construction of a rail freight bypass of Hornsby to minimise passenger and freight train conflict, and
  - Planning for duplication of the rack between Enfield and Port Botany.

**Victoria**

- Improvements to road and rail access to the Dynon intermodal precinct and the Port of Melbourne include a new Dynon to the Port of Melbourne rail link and separation of the junction of Footscray Road and the railway (\$110 million). This will provide unimpeded movement of rail to Appleton, West Swanson and East Swanson Docks and reduce the multiple handling of freight
- Construction of a new bi-directional rail line between Tottenham Junction and the Bunbury Street Tunnel at West Footscray. (\$40 million) This will reduce congestion at the Dynon rail terminal and the Port of Melbourne, as well as improve transit times

**South Australia**

- Adelaide's Port River Express:
  - Construction of Stage 1 of the Port River Expressway (\$40 million)
  - \$80 million to complete the Port River Expressway and associated road and rail works

## **Western Australia**

- Fremantle Port Access:
  - Construction of a rail loop to Fremantle Port. The dual gauge rail loop will cater for longer trains and improve cargo handling (\$40 million)

**Note:** The projects listed above are considered to have an impact on the efficiency of ports. Some are a considerable distance from ports but the improvements they provide in reducing bottlenecks, increasing capacity, improving transit times and reducing conflict between freight and passenger trains will contribute to the efficiency of port operation.