

**SAMROM**



Secretary: *J. Lubbell*  
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HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
TRANSPORT AND  
REGIONAL SERVICES

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Mr Paul Neville MP  
Chair, House of Representatives Standing Committee on Communications and Regional Services

PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear Mr. Neville,

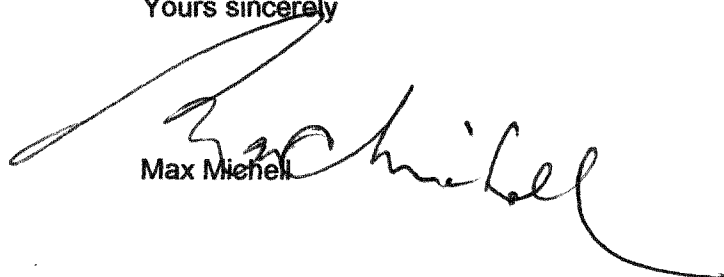
**Re: INQUIRY INTO INTEGRATION OF REGIONAL RAIL AND ROAD NETWORKS AND THEIR INTERFACE WITH PORTS.**

I presented evidence to your committee at public hearings at both Wollongong and Sydney, as a representatives of the Rail Technical Society of Australasia. At the second of these on 1<sup>st</sup> August 2006 the issue of regional rail expertise generated some discussion. RTSA in the mean time have forwarded a follow up submission, so I felt it more appropriate to place my views directly.

Whilst the views expressed in the following pages are my own they have had input and support from a number of members and compatriots who are in a similar position to myself – an independent former rail employee with a wealth of rail corporate knowledge and experience to draw on in running my own small consultancy. In my view there is a very large untapped source of rail expertise available in similar circumstances.

I trust that the material herein will be of real assistance to you and your committee in your deliberations in what must be a very daunting task to bring this inquiry to a conclusion

Yours sincerely

  
Max Michel

## **REGIONAL RAIL DEVELOPMENT**

### **TRANSPORT EXPERTISE IN REGIONS**

Local Government has traditionally had little to do with transport other than local roads and local airports. In general they have no real expertise in rail or other aspects of transport and at this stage have no reason to acquire such expertise.

Transport corridors can be purely local (in which case roads are almost universally the answer) or they can link local regions, and regional areas to cities, manufacturing facilities, production areas and ports. In this case the options range across road and rail (and occasionally sea). The situation facing Local Government is then one where a multi-modal issue will rarely be entirely contained within a single Council's domain. More often than not the issue will be trans-border (crossing local government borders in this context), and each issue may well involve different combinations of 'borders'.

### **DYNAMIC REGIONAL GROUPING**

The first issue is then to develop a dynamic structure that allows combinations of interested local governments to get together to resolve particular local transport issues. Given the relative importance of these trans-border links and their likely funding requirement, these combinations are likely to be relatively stable over a period of time. There may in fact be a place for semi permanent groupings.

The second issue that has to be recognised from the outset is that there will be diverging views between participants in these regional groupings that may make decision making significantly harder than where a single authority is concerned. For instance if an existing regional rail line runs through six local government areas, and one in the middle takes a divergent view from the rest, the outcome is likely to be a 'no decision' – basically the same as has happened in NSW where the state government has taken the 'no decision' route in regard to a number of grain branch lines. The structuring of the local government grouping must provide for sensible decision making that cannot be obstructed by a vexatious minority, provided that the decision can be supported on quantified grounds in the first place.

### **REGIONAL PROJECT 'OWNERSHIP'**

A third issue is that local government should, as a result of this process, have some 'ownership' of any retained or revived rail lines (as they already do for roads) and therefore have a vested interest in expanding the markets available to rail, by a combination of land planning, utility facilitation and the like along with various incentives to encourage development of rail terminals. In some cases the regional groups might see advantages in supporting a

'short line' to serve their territory – a small highly adaptable railway organisation operating at a purely local level, skilled at keeping a low volume railway operational and with close ties to local producers and authorities. (see later section in this regard)

## ACCESS TO TRANSPORT AND RAIL EXPERTISE

A major issue if this concept is to get off the ground is access to suitable rail expertise. All local councils have some road engineering expertise, but it would be useful if they had access to additional resources to allow evaluation of alternative transport options that are outside their existing skill range. Direct employment of 'rail expertise' is the most obvious solution, but such an approach will not capture the benefits of a dynamic and adaptable skill set appropriate to the project at hand. It could also simply become a burden on ratepayers since a single 'employee' cannot cover the range of transport or rail related skills that will be required if this concept is to be successful

A large number of competent and knowledgeable former rail employees are now consulting in their own name (i.e. self employed). These people cover the full range of rail specific expertise and they have also contributed extensively in the broader 'transport' arena – identification and analysis of potential rail markets, social and environmental economics, lobbying and promotion of transport options, etc. Rather than have local government (or local groupings) directly employ these skills, which in many cases would require several people to cover the required skill range, a system should be established where a group of interested and appropriate people would be retained at a central level, and contracted by the local transport groups where and when necessary – an 'outsourcing pool'.

Costs would therefore only be incurred locally on a needs basis and the actual skills appropriate to the particular issue would be able to be accessed quickly and easily. The 'retainer' required to hold these people available could be quite small (perhaps \$1000 p.a. or similar) on the basis that they would make themselves available (at the appropriate consulting fee) for a specified minimum number of days each year should their skills be required. The retainer would need to be managed and funded centrally, but the total impost would be relatively small and more than offset by the savings on not having direct employment costs at regional level (these being covered by the consultants themselves). This concept would need to deal with 'small' consultants only (to avoid large organisation overheads and to be able to contract just those specific skills needed), have suitable standardised 'charge out' fee structures and safeguards against conflicts of interest and other undesirable outcomes.

One of the key attributes that regions will need is a positive approach to the issues at hand. One of the main flaws in a 'main stream' approach to regional issues is that assumes the status quo, which by definition is a relatively unsatisfactory approach. What is needed is to start from the premise of 'how can we make this work' and then move flexibly on from there. Small independent consultants, singly or in partnerships, are much more able to

provide the dynamics necessary to achieve 'how can we make this work' results for regions.

## **FINANCING REGIONAL TRANSPORT PROJECTS**

The parallel major issue is one of finance. Local government currently has an allocation of road funding to supplement their own rate revenue. This concept would take that to a new level; one that would equate to a regional AusLink arrangement. Funding would be allocated to projects based on their efficiency and effectiveness for particular situations. The administrative structure and organisation for this funding would also look after the 'outsource pool' of talent available to support the local groups. The degree that this arrangement would overtake the existing road funding, and the process needed to ensure equitable funding allocations to all local regions would need to be sorted out – in fact these alone are likely to be quite contentious. However the concept of bringing some responsibility for regional rail routes, when judged to be a preferred alternative for local transport needs, into the local arena is sufficiently important to warrant considerable effort to achieve.

Possibly such a scheme could be piloted in some selected regions in NSW where there are 'restricted' grain branch lines slowly deteriorating in a policy vacuum. It is understood that a study, which may have been a reasonable prototype for this proposal for regional rail expertise, was undertaken by Coonabarabran Shire when they were trying to save the Gwabegar line a couple of years ago.

## **SHORT LINES – REGIONAL RAIL CHAMPIONS**

Unless we learn from the lessons of the past (of progressive deterioration and eventual closure of regional rail lines) then the same mistakes will be repeated until there are no regional rail lines left. All of the current major rail operators have their core business in bulk hauls and/or inter-state inter-modal hauls and have demonstrated in recent years a considerable disinterest in the regional and feeder lines and services. The highly publicised recent experiences in Tasmania and rural Victoria are a direct result of this sort of situation and something similar has been happening in NSW, WA and SA

## **SOME LESSONS FROM RECENT PAST**

In days past the state rail systems were created and operated as 'all things to all people'. Privatisation and separation of above and below rail activities has brought in sharp relief the fact that there are several rail businesses involved – main line freight, urban passenger rail, bulk freight, import / export freight and so on – only some of which will be of direct interest to a large privately operated company with a nose for the core business that will generate high profits. An example is the call for expressions of interest in the Mt Gambier area line revival, which got virtually no useful response from the established major operators even after some direct encouragement by the government concerned. This outcome was a combination of companies concentrating on

their core (main line) businesses, lack of understanding (and empathy) with the local economy and a risk averse approach by both the established operators and the government concerned. A 'non result' was a foregone conclusion in this situation.

A key reason for failure of regional rail projects (particularly those involving low standard track) is that Governments tend to view them as a simple civil engineering exercise. The argument is that if you provide the railway and find somebody (anybody) to run some trains, then freight would materialise from somewhere and the service would be profitable and sustainable. The real issue for these lines is to treat them as a business development exercise. Fixing the track and running the trains is important, but the most critical considerations are identifying the markets and then developing comprehensive door-to-door service packages which would ensure that the freight could be captured by rail at rates which were commercially sustainable (i.e. cover all train operating costs, long term track maintenance and renewal costs)

### **FUNDAMENTALS OF A 'SHORT LINE' OPERATOR**

Some of the issues that have to be addressed in a regional rail business development context are as below:

- Customers must be presented with a total source to destination price/service package which will ensure their full cooperation and a rapid take-up when services commence. They will not commit to rail on notions of community benefit, etc.
- A key issue is to, where possible, provide the most cost effective rail access to factories to minimise costly road transfers. In any case efficient handling, appropriate to the product and volumes is a necessity.
- Unloading and storage at the destination has to be attended to as an issue – once again looking for the most cost effective process even where this is off the property of the regional railway. In some ways the 100m is the most critical of all – if that is not right the whole project is suspect.
- Strong community support for the project must be aroused and maintained. This support must continue to be re-kindled to ensure that there is no unfavourable reaction to moving forward.
- Track construction and rehabilitation needs to be managed by those who are going to be providing the ongoing service, not Governments. Parameters must be set which will provide fit-for-purpose infrastructure within the constraints of the available funding.
- Train operations, including provision of rolling stock and development of efficient train operation strategies is fundamental to the business development, once again with fit for purpose equipment and services.

US experience is that short haul operations are most effectively managed by regionally based, independent operators – the “shortlines”.

These complex issues and processes cannot be managed by a committee. Neither can they be handled by a Government Department. Like the Darwin Railway, the project must be managed by a “project champion”, a commercial organisation willing to demonstrate a long term commitment and who is prepared to make a meaningful investment in infrastructure up front.

Pacific National has developed a track record for competence in the ‘big end’ of rail operations. QR similarly has the expertise to operate heavy haul coal trains and inter-capital inter-modal trains. However neither of these two, or any of the operating niche rail operators, have yet shown zeal and enthusiasm, to work through the complex and highly localised issues that demand attention if regional rail is to achieve its potential

### **SHORT LINE OPERATOR = PROJECT CHAMPION**

In summary the first ingredient required for a successful regional rail project is to identify and promote a project champion, which will not only believe in the project but has access to the required skills to bring it to a successful conclusion. This choice is a task for the governing authority appropriate to the project – generally at state or regional level. The project champion will take a positive approach to the need for their project to be commercially viable and which will provide long term benefits for local industry and the community.

Even if the numbers do add up the project will not just happen. They must be aggressively driven by a “Project Champion” - a commercial private sector organisation with the ability and willingness to manage the entire project and to commit meaningful resources to it on a long term basis. The concept of ‘Short Line’ is one that lends itself to the role of a Regional Rail Champion.