Rail Tram and Bus Union

Submission to Rural and Regional Affairs and Transport References Committee Legislation Committee on

AusLink (National Land Transport Bill) 2004

April 11, 2005

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RTBU Submission on AusLink (National Land Transport) Bill 2004

Introduction

The Australian Rail Tram & Bus Industry Union (RTBU) represents 35,000 employees across our industries, and is the main union in the rail industry where the RTBU has over 95% union density.

The RTBU made a substantial submission to the AusLink Green Paper, and a summary, prepared in November 2002, is attached as *Appendix 1*.

The RTBU believes that the AusLink policy process has been a step forward in addressing crucial national economic, environmental and social goals, but it remains disconnected from energy-use policies, greenhouse emissions policy, access pricing neutrality, road safety, and important components of land transport – the ports and airports.

In our submission we emphasised the failure of AusLink to address urban public transport issues, the destabilising of federal-state transport financing arrangements because AusLink withdraws from 100% federal funding for the National Highway System, and the urgent need to correct road access pricing for long distance heavy road transport.

Access pricing should ensure neutrality between modes, but Australia is going backward on this because of fuel excise commitments in the Federal government’s 2004 Energy Statement. Heavy road transport under-pays through registration fees and fuel excise, while rail pays a full access charge through the Australian Rail Track Corporation (ARTC).

The AusLink Bill, while promising some much-needed investment in the interstate rail network on the east coast, shows that these issues have not been addressed. In fact, the Bill indicates a retreat from some important features of the White Paper – mandatory application of the same economic, social and environmental investment criteria to any corridor investment, the creation of an Australian Transport Advisory Council, and significant extra spending on national land transport infrastructure.

These and other serious weaknesses may render the AusLink program ineffective. The Bill shows that AusLink will provide a bare minimum of investment funds for the interstate rail network, and that this will probably be offset by the closure of significant regional rail networks, unless these are given urgent attention. Regional rail networks in south Australia and Tasmania are privately owned, in Victoria and Western Australia are leased, in NSW are owned by the state but to be managed by ARTC, and in Queensland are owned and maintained by the state.

The RTBU draws the Committee’s attention to the Federal government’s Building Industry Code, which will apply to all the AusLink construction projects, including rail projects. This Code will create industrial conflict because it seeks to use the threat of withdrawal of Federal funds to enforce a reduction or elimination of trade union organisation in these projects. Both the rail and construction sectors have a strong tradition of union organisation. The RTBU urges the Committee to ensure that AusLink projects are exempted from the Federal Building Industry Code. The RTBU contests the Federal government’s rational e for the Code, but even these points do not apply to the rail industry.

The RTBU urges the Committee to consider a category of funding that parallels the Roads of National Importance (RONIs), and this would be Tracks of National Importance. TONIs would provide a focus for federal funds to go to regional rail networks.

Attached as *Appendix 2* is our submission to the South Australian Department of Transport on the investment needs of the Eyre Peninsula narrow-gauge network, presented in February 2003.

1. Part 2 National Land Transport Network

The RTBU congratulates the Federal government for including the Burnie – Hobart, and Launceston – Bell Bay rail links in Tasmania in the proposed NLTN. However, the NLTN leaves out the Cairns – Townsville rail line, the Townsville – Mt Isa rail line, the Queensland coal lines to Hay Point and Gladstone and significant grain lines, the Parkes – Adelaide via Broken Hill rail line, and the proposed Sydney dedicated freight line to Macarthur. The RTBU recommends that these sections of the national rail system be declared part of the NLTN.

2. Part 3 Auslink National Projects

Clause 9(2) **The Minister alone can decide** to fund a project, or revoke a project, without reference to parliament. Unless this power is constrained by an appropriate consultative structure, the entire process will be unpredictable. The proposal in the AusLink Green Paper for an Australian Transport Advisory Council has been dropped. The RTBU urges the Committee to reinstate the ATAC concept, and ensure that it plays a recommendation role in the entire AusLink investment program, and that it includes a representative from the Australian Council of Trade Unions, the environment movement, local government and consumers, as well as the transport employers.

The AusLink White paper also proposed a more informal consultation with industry about investment in infrastructure, but this is not reflected in the Bill.

Both the formal and informal consultative processes are gone.

Clause 10 **Eligible national projects** excludes the maintenance of intermodal facilities. This suggests that the Federal government may build and then lease these facilities, or that they are intended to be Public Private Partnerships (PPPs). Under National Competition Policy, terminals have not been considered as infrastructure services that can be 'declared', but rather as facilities that can be duplicated easily within the network. The RTBU believes that intermodal facilities should not be part of the eligible national projects, that this idea amounts to a form of ‘corporate charity’. If intermodal facilities were to be ‘common user’, and attract AusLink funds, then the Bill should clearly establish the criteria under which they would be considered as ‘appropriate’. The case has not been made for AusLink investments in intermodal facilities, and if the government wants to go in that direction, it should establish a process to determine the criteria for these investments.

Clause 11 **Considerations of appropriate projects**. The RTBU urges the Federal government to make an assessment of the economic, environmental and social costs and benefits of the project a mandatory consideration in determining if a project is appropriate. This Clause as drafted completely undermines the policy claim in the AusLink Green and White Papers that corridor investments in road or rail will be based on the same criteria, but this Clause allows the Minister to ignore sound investment criteria.

The Bill must contain a requirement for transparent application of economic, social and environmental cost / benefit standards for all corridor investments.

By making the provision of State / Territory funds for a project a consideration in whether it is 'appropriate', the Federal government is allowing political factors to have full play in decisions about projects on the NLTN. This will cause major conflicts in AusLink, and threaten its capacity to really meet the big challenges in land transport infrastructure which Australia faces. This consideration should be removed.

The RTBU is highly sceptical of the promise held out in Clause 11 that the private sector will make major contributions to national AusLink rail projects aside from bidding for the construction work. This may be a major ideological diversion from actually investing in long-delayed rail upgrades and should be removed as a 'consideration' in Clause 11.

3. Division 2 - Provision of Commonwealth funding

The RTBU strongly supports the provision that allows for Commonwealth funding of a project when there is no funding agreement with a State / Territory or Local Government Authority or an agency controlled by such governments.

However, $4.1 billion of the $11.8 billion that is claimed to be now in the AusLink program would not be spent according to the AusLink investment standards proposed in the White paper.

Of the promised $11.8 billion total, the RTBU can identify the following funds coming from other programs (being counted twice):

> $810 million of the Roads to Recovery comes from the Rural Fuels Grant scheme;
>
> $253 million comes from the first round of Roads to Recovery;
>
> $384 million comes from the sale of Federal railway operations;
>
> $150 million comes from the unspent rail mainline upgrade program announced in the 1997 budget;
>
> $60 million comes from the NSW government commitment to rail upgrades in NSW following the ARTC lease signing.

This amounts to $1.654 billion.

4. Division 3 - Conditions that apply to Commonwealth funding

The RTBU supports the Bill's mandatory conditions for Commonwealth funding, the use of public tenders for construction projects and the waiving of tenders for maintenance work carried out by public utilities. The RTBU, however, believes that there should be tenders for all construction projects, even in remote areas. This applied to the Darwin – Alice Springs rail link, which involved very remote locations. There are no capable construction agencies located only in remote areas, but maintenance crews are locally-based.

5. AusLink transport development and innovation projects

The RTBU supports the clauses specifying what is an eligible project and what is an appropriate project. However, the RTBU urges Clause 31 to be changed so that appropriate projects *must* achieve at least one of the three specified objectives.

6. AusLink funding for land transport research entities

The RTBU strongly supports Commonwealth funding of these research organisations, especially greater funding of BTRE and the NTC, and relevant state / territory agencies and university research centres. This funding should be a recommendation from the proposed ATAC, and come from the budget of the Federal Department of Transport and Regional Services.

The White Paper promised 1% of AusLink funds for research, which should be $77 million over five years, or just over $15 million per year. The budget allocation in 2003-04 was $3.5 million. The Bill contains no indication that the White Paper promise will be fulfilled.

7. Part 6 – AusLink Strategic Regional Projects

The RTBU supports the allocation of $400 million over four years for regional transport projects, but argues that they should not be required to have a funding contribution from the local government authority. However, it should be *mandatory* that these projects are based on a regional strategic planning process and have demonstrated environmental, social and economic benefits over costs. The RTBU believes that it is a conceptual error for these projects to be part of the Roads to Recovery program, and instead they should be a part of AusLink corresponding to the current RONIs segment of the national road budget.

8. Part 7 – AusLink Black Spot Projects

The RTBU strongly disagrees with folding the Black Spots program into AusLink, but does not disagree with this program. This is completely outside the AusLink Green Paper and White Paper.

9. Part 8 – AusLink Roads to Recovery Program

The Roads to Recovery program does not use the common investment criteria for corridor investment projects that is - or was – a key concept in AusLink. Local government should be funded adequately to maintain its road networks, and funding for rail projects must be enhanced relative to roads overall in the Federal government's infrastructure development program. The RTBU strongly supports the idea that Roads to Recovery funds should be available for public transport, walking and cycleway projects, based on sound local government planning and consultative processes.

10. Other comments

The RTBU argues that the Bill should require the Minister to publish details of all projects funded under AusLink, as the Minister is now required under the Roads to Recovery program.

AusLink should also provide funds for rail transport infrastructure in urban areas.

11. Appendix 2: the Government's investment priorities 2004-05 to 2008-09

The priorities indicated for *rail* are:

NSW	
Sydney – Brisbane million	$550
Sydney – Melbourne	$0
Melbourne – Brisbane	$0
Sydney – Adelaide	$0
Sydney Urban million	$110
Other NSW	$0
Victoria	
Sydney – Melbourne	$25 million
Melbourne – Brisbane	$0
Melbourne – Adelaide	$0
Melbourne – Mildura	$20 million
Melbourne Urban	$40 million
Other	$20 million
Queensland	
Sydney – Brisbane	$0
Brisbane – Cairns	$0
Brisbane – Darwin	$0
Brisbane Urban	$0
Other	$15 million

Western Australia	
Adelaide – Perth	$0
Darwin – Perth	$0
Perth – Bunbury	$0
Perth Urban	$14 million
South Australia	
Melbourne – Adelaide	$0
Adelaide – Sydney	$0
Adelaide – Perth	$0
Adelaide Urban	$0
Other	$0
Tasmania	
Hobart – Burnie	$0
Other	$0
Northern Territory	
Adelaide – Darwin	$0
Darwin - Perth	$0
Other	$0
Australian Capital Territory	$0
Rail Communications CDMA	$30 million
Total Rail	**$824 million**

This is an average of $164.8 million per year on national rail projects for five years. This compares to a commitment of $1.382 billion per year for AusLink national road projects over the same period. The RTBU suspects that the roads allocation is itself inadequate, but it is clear that the rail allocation is grossly inadequate.

The White paper promised $145 million for rail network-wide improvements, but the appendix in the Bills Digest only indicates $45 million.

This level of funding represents only a small increase on the $250 million over three years which the Federal government promised in 1996, but did not manage to spend in the next *six* years. There is still $140 million outstanding from this program an dit has been rolled into the 2003-04 budget rail commitments.

The RTBU believes that the level of funding for national AusLink rail projects must be increased to $300 million per year for 10 years to allow rail interstate freight services to achieve axle loads, average speeds and transit times similar to long distance road freight vehicles.

As well, the RTBU argues that urban public transport infrastructure requires urgent federal support, as it receives in all other federal OECD countries, and that a crash planning project for such a program should be a high priority.

The listed AusLink rail funding only applies to NSW, Victoria and Western Australia. This appears to be the only new element of the transport funding, and yet all States / Territories are going to be pressured into providing funds for the former National Highway System in exchange for this. This is bad politics as well as bad transport investment planning.

Tables 2, 3 an d4 in the Bills Digest indicates that Federal budget support for the National Highway System has fallen short of needs since 1997-98, and this is part of an overall decline in public investment in vital infrastructure in the last three decades. According to the CEO of the Australian Council for Infrastructure Development, Denis O'Neil, "In the 20 years to 1993, expenditure [on transport infrastructure] fell by 50 per cent in real terms of its share of GDP, reaching a low point of 1.4% in 2001 (*Sydney Morning Herald*, Nov 17, 2004).

The RTBU asks the Committee to clarify the spending commitments in Appendix 2 of the Bills Digest. What State funds are assumed in these projects, both rail and road? Does the $809 million of identified rail projects include the $450 million AusLink infrastructure investment announced in June 2004 and the $143.375 million ARTC capital injection also announced in June 2004?

The Committee should note that the Federal government received sale revenue of $93.4 million in October 1997 from the privatisation of Australian National Railways, and $293.6 million in January 2002 from the privatisation of National Rail Corporation. The Federal government has been a net 'taker' from interstate rail, instead of a net investor – between 1997-98 and 2002-03, income from asset sales is $384 million, investment in the national rail system (excluding the Darwin – Alice Springs link) is $163.9 million. This shocking reality is only corrected in June 2004, and it is not clear how these new funds (ARTC - $143.375 and AusLink - $450 million) are to be used.

Taking these 2003-04 injections into account, the Federal government made a net investment of $373.6 million in the interstate mainline network between July 1997 and June 2004, or $53.3 million per year. But please note, the bulk of these funds have not actually been spent!

Our reading of the overall funding trend in transport spending is that the Federal government has been transferring funds away from the National Highway System towards RONIs and toward Roads to Recovery, and neglecting interstate and urban rail and public transport. While this appears to have been a successful political strategy, it is clearly failing as a transport infrastructure strategy.

There is a big danger in the current Bill that this political strategy will continue behind the fireworks display of the new AusLink policy. The RTBU urges the Committee to blow the whistle on this process and to recommend amendments to the Bill to ensure an orderly expansion of land transport investments for each corridor, using transparent economic, social an environmental cost / benefit factors.

The RTBU supports the replacement of the 1997 rail Inter Governmental Agreement and the 1991 Roads IGA with a new Land Transport IGA which must include urban transport.

Appendix 1: Summary of RTBU submission to AusLink green paper

AUSLINK – a positive Federal initiative, but too many missing links

Introduction

In two major speeches since the May 2002 Budget, John Anderson, the Deputy Prime Minister and Minister for Transport and Regional Services, has elaborated a major new federal transport policy initiative called AUSLINK. His latest statement was at the Australasian Railway Association Convention on October 31, 2002.

The long-awaited AUSLINK 'Green Paper' was released in early November 2002 – postponed from August -.

Anderson claimed to the ARA Convention: "Our transport reform plans are ambitious. They will involve the greatest change in transport infrastructure planning since the establishment of the National Highway System 30 years ago."

AUSLINK abandons some extremely backward positions taken by the Minister in April 2000, in the official response to *Tracking Australia*, the Smorgon Report, and the Productivity Commission Review of Rail Reform. Now the Minister is asserting the need for:

- a single national transport infrastructure fund covering both road and rail;
- a common set of criteria for road and rail investments;
- the need for more rail investments;
- a national rolling five year plan for transport infrastructure investment;
- conversion of the National Road Transport Commission into a National Transport Commission by the start of 2004;
- creation of a National Transport Advisory Council to advise the National Transport Council of the Federal and State / Territory Transport Ministers.

However, the missing links are:

- A federal commitment to provide more funds for transport infrastructure investments, especially for rail;
- A federal commitment to urban public transport;
- A federal commitment to an environmentally sustainable national transport system
- A defined National Rail Network
- An adequate legislative framework for the proposed new national transport investment program.

Key concepts in AUSLINK

- Unless planning processes change, our transport systems will not cope with the predicted 100% increase in road and rail freight tasks, and 50% increase in the passenger task, by 2020; urban congestion; and Greenhouse Gas Emissions.
- Current government arrangements for spending on roads and rail are inadequate
- Planning and funding for the total land transport system is required
- Current processes do not help private sector 'logistics chain' integration plans
- Current processes do not help public sector / private sector creation of transport hubs, such as at major airports
- Need to use Intelligent Transport Systems to make most efficient use of roads, rail and ports.

Key commitments in AUSLINK

1. **Federal Government 5 year indicative rolling plan for transport infrastructure development (within a 20 year strategic outlook), aimed at:**
   - Freight logistics
   - More sustainable transport system
2. **National Transport Commission to replace National Road Transport Commission in January 2004, and together with the Australian Logistics Council, to develop regulatory reform to deliver the greatest benefits to the industry.**
   - But the National Code of Practice for interstate rail operations will be owned by a private rail industry company
3. **The Federal Government will call on States, Territories, Local government, Regional Development bodies, and the private sector to bid to take on individual projects in the rolling plan.**
   - Public-private partnerships will get equal treatment with government proposals
4. **Funding will be available for non-engineering work, such as new technology, freight logistics and traffic management.**
   - Aim is for greater efficiency and better environmental protection
5. **Transparent use of the same investment criteria for road, rail and inter-modal projects**
   - including economic, social, safety, environmental and regional criteria.
6. **One Federal Land Transport Fund**
   - No separate road and rail budgets, which now total $1.8 billion per year
   - Improve road / rail integration
   - Increased market share for rail on firm commercial foundation
   - Protection for regional transport funding from impact of high-cost urban projects such as the $1.25 billion Western Sydney Orbital, which is more than the entire Roads to Recovery program.
7. **Encourage project bidders to put in greater investments to win the project**
8. **National Transport Advisory Council to help create the rolling national land transport plan and advise on access pricing.**
9. **Move beyond the National Highway System**
   - Joint funding with the Federal Government to create a national land transport network, broader than the National Highway System, by adding 'major' roads of National Importance, the interstate railway system and other nationally and regionally important parts of the transport system.
10. **Transport Infrastructure Inter-Governmental Agreement to replace the 1991 Roads Agreement**
    - Cover road, rail, intermodal connections and non-engineering solutions, to underpin AUSLINK.
11. **No cut in Federal transport spending**
    - Anderson stressed that this new vision for land transport would not lead to a reduction in Federal transport spending. He promised that it would not affect any current projects, or any projects that have a firm commitment, especially
      - $180 million over 4 years Black Spot Program

- $1,200 million Roads to Recovery Program over 4 years

12. Excludes urban passenger transport systems

- These are a State responsibility and States / Territories have increased ability to fund them through their GST revenue.

Key issues for the community in AUSLINK

Road access pricing

While the new National Transport Commission will continue to focus on regulation, Minister Anderson has suggested that the key issue of access pricing as a factor in transport infrastructure investment decisions be a matter for the new National Transport Advisory Council. His repeated assertion that there will be no reduction in federal funds to roads, and that there will be a doubling of road freight volumes over the next 18 years, indicates that the under-pricing of heavy road vehicle access charges will continue. This will continue to inhibit any concept of road use demand management, and induce ever more demands for highway and tollway construction. Unless the NTC addresses this issue as a high priority, AUSLINK will be of little real impact, whatever the rhetoric.

The NTC must make reform of road access charges a major focus of its regulatory reform agenda.

Urban Public Transport

No other OECD country takes the Australian government view that urban public transport is not a national responsibility. The current Federal policy arose from the "small government" mentality of the Keating government, which has been taken to new heights by the Howard government. It relies on our 19th century federal constitution, which gives federal power only to interstate transport issues, and even that is in conjunction with the States. At the end of the 19th century, there was barely any State commitment to urban public transport, with most tram systems run by private enterprise. The Federal government has long since abandoned the idea that rail freight is a 'state issue', and it is high time it renewed the short-lived federal commitment to urban public transport that existed between 1974 and 1994.

According to the Bureau of Transport Economics, urban transport congestion cost $12.8 billion in 1995, and BTE estimated that this would rise to $29.7 billion by 2015. To this cost must be added the impact of air and noise pollution, and road trauma, on our health and safety and social life.

Urban transport is the principal contributor to pollution in our major cities, and transport is a major user of energy resources. According to data from the United Nations Framework Convention on Climate Change, Australia has the highest per capita greenhouse gas emissions in the world, and urban transport is a major contributor.

Australia's major cities now have clear "transport rich" and "transport poor" regions, because of the creation of new suburbs without strong public transport infrastructure. This is a key feature of Australia's own social justice challenge.

There can be no doubt that these economic, environmental and social impacts of urban transport are a national challenge, which must be part of a sustainable national transport system. Therefore, urban public transport must be incorporated into AUSLINK.

The Minister's assertion that the GST provides enough revenue to the States and Territories to manage the urban public transport challenge is not supported by any data, and appears to be little more than a political throw-away line.

Role of National Transport Commission

The Minister so far has not spelt out the role of the National Transport Commission from January 1, 2004, beyond having a focus on road, rail and intermodal issues. The NTC should have an expanded role, including:

1. Defining a National Rail Network, including in Tasmania, and Tracks of National Importance,

to complement the National Highway System and Roads of National Importance, thus determining a National Integrated Land Transport Network.

2. Competitive Neutrality issues between road and rail in terms of access pricing and taxation. The harmonising of road user charges was a major role of the NRTC.
3. Development of a consistent investment methodology across modes, including environmental, regional, safety and financial criteria.
4. Development of consistent performance benchmarks across road and rail modes, eg 30 tonne axle loads at an average speed of 100 kilometres per hour for mainline rail, with similar transit times for rail and road.
5. Creation of modal share objectives in urban transport for Australia's major cities, for inclusion in the proposed five-year rolling investment plan and the 20-year strategic outlook.
6. Development of the National Transport Investment Plan, with a rolling five year plan within a 20-year strategic outlook, to incorporate State / Territory plans such as Melbourne's 2030 Plan, WA's sustainability Strategy and Freight Network Review, and NSW's Action for Transport 2010, and Queensland's Rail Network Strategy.
7. Development of a strategy for reduction of Greenhouse Gas Emissions and reduction in air pollution from transport systems.

Role of National Transport Advisory council

The RTBU proposes that the National Transport Advisory Council include trade union, regional, commuter and environmental organisation representatives, to ensure that a broadly-based line of advice to the Australian Transport Council, on access pricing, investment priorities, environmental and social objectives and strategic outlook.

National Legislative Framework

The AUSLINK proposal would be advanced through a new Federal / State / Territory Inter-Governmental Agreement to replace the 1991 IGA on roads. This new IGA would be developed after the Green Paper / White Paper process, which will include public consultation.

The RTBU suggests that the consultation process should be managed by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, which should make recommendations for a new Australian Land Transport Development Act, using the US Transport Equity Act as a model.

This would provide the Federal Government for a strong legislative basis for its cooperative arrangements with the States / Territories, and help to reduce the traditional constitutional obstacles to a concerted national approach to interstate transport and urban transport issues.

Public Private Partnerships

Public Private Partnerships (PPPs) are the latest fashion in privatisation to come from the UK. It is not called 'privatisation' because that doesn't market well with voters any more.

Under a PPP, government contracts a private consortium to provide infrastructure over a fixed number of years, and pays the private consortium a rent and maintenance fee for the life of the contract. This is a 'no risk' deal for the private business, on the one hand, and allows the government to claim it is not increasing public debt on the other.

However, the government pays a higher annual rent for the asset than it would if it financed the construction directly, in the traditional way. Government can borrow funds for 4%, while private consortia require a return of 11%-15% to both borrow funds and return a profit. The asset is transferred back to the government when it has reached the end of its life, and the risk is greatest.

Australia's most notorious examples of PPPs so far are the failed Sydney and Brisbane airport rail links, and the Sydney water treatment plants that failed in 1999.

When John Anderson promised to give PPPs and fully public projects equal consideration, he signalled a major shift in transport investment in Australia. It is quite likely that PPPs will reduce the scale of transport infrastructure that might be built, because of the larger long-term liability taken on by the public sector in PPPs. The Western Sydney Orbital, costing $1.25 billion, is a PPP.

Inducing Federal / State tension over roads

AUSLINK actually calls on State and Territory governments and the private sector to share the cost of the National Highway System, whereas today it is fully paid for by Federal funds. This is likely to cause a sharp increase in Federal / State conflict over transport investment, instead of the new cooperation projected in AUSLINK. Under AUSLINK, unless States / Territories take over some of the National Highway System and Roads of National Importance funding, the current Federal Government will not direct extra funds to rail or intermodal projects.

The current Federal Budget commitment to transport infrastructure is:

Roads - $1,736 million
Rail - $25 million

Federal Roads Spending 2002-03 ($M)

Program	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	Other/ not attributed	Total
National Highway	266.33	109.74	149.74	66.64	46.08	20.65	27.67	4.06	7.24	**698.15**
Roads of National Importance	92.79	142.90	28.41	10.00	6.00	2.50				**282.60**
Untied local road grants	128.06	91.00	82.70	67.49	24.26	23.39	10.34	14.15		**441.38**
Roads to Recovery	56.67	41.67	41.67	30.00	16.67	6.66	3.33	3.33	2.16	**202.16**
Black Spot	14.29	10.43	8.92	4.98	3.49	1.12	0.67	0.60	0.50	**45.00**
Federation Fund	21.00	15.00	31.00							**67.10**
TOTAL	**579.14**	**410.74**	**342.54**	**179.11**	**96.50**	**54.32**	**42.01**	**22.14**	**9.90**	**1736.39**

Source: Dept of Transport and Regional Services, Budget Statement 2002-03, p 3

The *National Highway System* is 18,500 kilometres of interconnecting roads linking Australia's capital cities, Brisbane with Cairns, and Hobart with Burnie. It is 100% federally funded.

Roads of National Importance are selected freight and regional routes, most notably the Pacific Highway, funded jointly with the States and, in some cases, local government.

Roads to Recovery is $1,200 million spent over the four calendar years 2001-2004, on local council roads. Some of those funds may become available in 2005, but Local Government is bound to fight to retain these funds for roads, and this will be electorally appealing.

With Transport Minister Anderson promising no cuts to the Black Spot Program or the Roads to Recovery or to the Western Sydney Orbital, it looks like lower Federal spending on the National Highway System and Roads of National Importance, and untied local road grants, if more funds are to go to rail.

While Anderson claimed the Federal Government spends $1,800 million per year on transport infrastructure, the Budget paper indicates that only $980.75 million per year are spent on major road transport infrastructure. How much of this can be transferred to interstate rail projects, let alone urban rail projects?

A genuine Federal / State / Territory partnership on land transport will only be achieved with a clear federal funding commitment. This is how the National Highway System really works.

The references to the GST and State responsibilities in the AUSLINK briefings so far are a code for a major conflict, rather than a cooperative approach.

Similarly, the call for private sector investment in land transport projects is a recipe for small, company-specific projects, or for an investment vacuum - a queue of projects waiting for private sector commitment to trigger public investment.

The Federal Government needs to move further in the direction suggested by the AUSLINK proposal, and find ways to expand the overall infrastructure funds available.

Australia is at the very low end of developed countries for the share of taxation in Gross Domestic Production.

We should aim to shift the taxation rate from 27% of GDP - the second lowest of the OECD countries - to 34% over time, which is halfway between the US (the lowest) and the European rate. This would increase the public funds available for economic development, social expenditures on health, education and environmental protection by $50 billion per year. The end of indexation of fuel excise at the start of 2001 was a backward step, reducing revenue by $900 million over four years. This is already hurting the States and Territories, and undermines the AUSLINK project. The reinstatement of indexation of fuel excise must be a high priority.

Australia's General Government net debt levels are approaching 6% of GDP, compared to the OECD average of 40% (30% in the USA, 50% in the European Union and 20% in New Zealand). Australia does not have a public debt problem, and more funds can be borrowed by the Federal Government to finance land transport investments, particularly the huge backlog in rail investments.

The obsession of both the Labor and Coalition governments with budget surpluses and lower debt over the last 20 years has caused serious damage to the Australian economy. It will take a lot to change their thinking, but that will be necessary if AUSLINK is to bear any fruit.

Logistics or network – a paradigm shift underway?

Deputy Prime Minister John Anderson promised that high priority for spending would go to logistics investments and intermodal facilities.

On the one hand, this ignores the repeated results of research and inquiries in the 1990s which showed the need for a massive investment of $3,000 million over 10 years in the interstate rail network if it was to provide comparable axle loads, transit times and reliability to the national highway system. Mainline upgrades, not terminals, is the priority for rail.

On the other hand, Anderson's priority indicates relatively small investments, with the major beneficiaries being private sector transport companies needing to integrate with the rail network. Pacific National is now as the largest private rail freight operator in Australia. Its co-owners, Toll Holdings and Patrick Stevedoring, need to connect their road and port terminals to the rail system. The Federal Government appears to be promising them support in PPP-style investments.

While the transfer of freight from road to rail that this would facilitate is highly desirable, it will be limited by the lack of capacity in the east coast rail corridor, with its 19th century alignments, tunnel and bridge limitations, and the Sydney bottleneck. Anderson recognised this in his ARA speech, calling attention to a promised $870 million investment in the interstate rail network in NSW over five years, if the ARTC obtains a 60-year lease over the specified NSW track. Where will these $174 million per year in funds would come from for the Macarthur – Chullora Southern Access Corridor, the new train control for the Casino – Greenbank corridor, and improved alignments and gradients in the Sydney – Albury corridor. He suggested it would come from the Federal and State governments, ARTC and the private sector.

This illustrates the ongoing difference in Federal policy between road funding and rail funding. The National Highway System in NSW is funded by a direct Federal grant. Track in NSW still has to be funded by borrowings, and NSW has to bargain for it. NSW does not have to lease its highways to a Federal Corporation to obtain NHS funding.

The RTBU notes that there are a range of track ownership options in the interstate mainline, ranging from ARG operating as a wholesaler to ARTC in Western Australia, ARTC owning the track in South Australia, ARTC leasing the track in Victoria, and NSW owning the track in NSW which unlike the first three cases, includes a major coal freight system in the Hunter Valley. The RTBU opposes the proposed 60-year lease of the NSW track, and supports an alternative approach which would still allow ARTC to administer access arrangements, but insists that the $870 million investment program go ahead.

Rolling 5-year plan

Minister Anderson says that the rolling plan will be 5 years. This is a vital part of the claim that AUSLINK constitutes a genuine national plan, yet it is the least developed so far in the government's statement.

The National Highway System is continually upgraded because there is systematic long term planning by State and Territory road authorities, who are the bodies which expend the federal funds. A national land transport network will also require that State and Territory roads agencies become an integral part of the framework. Western Australia and Victoria have created single planning and infrastructure development agencies, and the other States and Territories will have to go down this track. This is highly unlikely to be achieved, especially if State governments suspect that AUSLINK is shifting a Federal funding burden onto them.

Coalition for a land transport network

The RTBU is consulting with the broad environment, welfare and public transport constituencies in Australia about the possibilities and shortcomings of the AUSLINK proposal, and endeavour to build a strong campaign for a genuine transfer of federal funds to rail and urban public transport as part of a consistent land transport investment program. The "Green Paper" process is the first phase of such a campaign.

RTBU National Office, November 4, 2002

Appendix 2: RTBU Submission to Transport SA Inquiry into Eyre Peninsula Grain Transport

Introduction

The Rail Tram & Bus Union represents the train crew and track maintenance workers in the Eyre Peninsula narrow gauge rail network. The Union protests at its exclusion from discussions and workshops of stakeholders held prior to the distribution of the *Eyre Peninsula Grain Transport Issues Paper* in October 2002.

The RTBU and its members are deeply concerned at the condition of the track and rolling stock in the Eyre Peninsula system, and recognise the validity of statements made in the Issues Paper about the potential for the rail transport system to cease functioning.

The rail system was in poor condition at the time of the AN sale in late 1997, and the new owner, ASR, has not invested in any upgrade of its asset. The deregulated transport market provides no incentive for ASR to do so.

The RTBU strongly supports the investment of public funds in the rail system because the grain and gypsum industries in the Eyre Peninsula cannot operate in the medium to long-term without an effective rail system.

However, this investment should only occur as part of a long term transport plan, with government regulation to ensure that the benefits of public investments are shared by all parts of the community, and by the state and nation on a broader scale.

The RTBU has always been sceptical of the alleged benefits of unfettered free markets as promised at the time of rail privatisation in 1997. The Union opposes propositions for open access on the Eyre Peninsula rail network, and the separation of port and grain storage infrastructure ownership from provision of services. These proposals are quite impractical given the scale of infrastructure and responsiveness needed within the grain transport chain in the Eyre Peninsula. Regulation and cooperative arrangements are a far better formula for efficient grain transport operations.

In South Australia and Tasmania, state governments have not invested in freight rail networks since 1978. In Victoria, the Kennett government starved the rail system of investment in the years preceding privatisation in 1999. But just closing ones eyes to infrastructure has turned out to be a mistaken policy. The Victorian Government is now investing heavily in its country rail network. South Australia must do the same.

1. Grain Product Diversification

While grain product diversity is a growing trend, the scale of production of almost all grains will remain in the bulk category, and bulk transport economics will apply. This means that for a journey of over 60 kilometres, rail transport will be more efficient than road transport – as long as the transit times of rail and road are approximately equal.

Given the quality of road infrastructure compared to rail infrastructure today in the Eyre Peninsula, this assumption does not hold.

However, any rational transport system will provide an improved rail network. Farm to silo journeys will be by truck, and silo to silo and silo to port journeys should be by rail, except where farms are around 60 kilometres from ports.

2. Continued Growth in Grain Production

The RTBU is not qualified to comment on industry projections of increased grain production. However, the union is impressed with the expanded production of the last five years and will work with the projected increase of 30% over the next 15 years. It is clear that the rail network cannot substantially increase its contribution to the grain haulage task within these growth projections. It is also clear that the road network will also not be able to fulfil this increased task without substantial public investment.

It also appears to be true that the silo system will not be able to cope in the high-intensity transport phase from November to February, with these projections.

3. Operational Efficiency of Eyre Peninsula Rail

The RTBU has consulted its members about the issues raised about the current operational efficiency of rail in the Eyre Peninsula. The feedback is set out below:

a) Summer Heat Restrictions

When temperatures reach 36 degrees, loaded trains do not depart before 8.30 pm. Empty trains only run during daylight hours. On the light rail between Minnipa and Poochera, when the temperature exceeds 34 degrees, a maintenance company worker has to pilot the train. Train crew have to check the temperature at Minnipa or Poochera.

b) Inland Silo load-out rates

These rates vary from 60 tonnes per hour to 200 tonnes per hour – IF everything is going well.

c) Track Speeds

The track speed on the Eyre Peninsula is 50 kilometres per hour, due to track / vehicle interaction, loaded or empty. But on a typical journey, say the 280 kilometres from Pt Lincoln to Buckleboo, only 34 kilometres is open for 50 kmh. The rest is mainly at 20 kmh or 30 kmh, with a section of 43 kilometres at 40 kmh.

Pt Lincoln to Thevenard is about 434 kilometres. Only about 85 kilometres is open for speed at 50 kmh. The rest is mainly 20 kmh or 30 kmh. At present, without shunts, this trip takes 17 hours.

A Pt Lincoln – Wirrulla return journey, with five shunts, takes 26.5 hours. Of this only about 2 hours is at 50 kmh, the rest is on speed restriction.

d) Port Lincoln wagon discharge rates

No 1 discharge shed has an optimum rate of 400 tonnes per hour. No 3 Shed has an optimum 600 tonnes per hour. And No 2 shed is not used at present. These discharge rates vary a lot depending on which block the grain is discharged to.

e) Short crossing loops

Trains have to follow each other out of Port Lincoln, and crossing happens only between Pt Lincoln and Cummins, usually at Grantham, Wanilla or Edillilie. Coomunga is a short loop. Track work can cause crossings anywhere and the following stations can accommodate normal length trains ie 40-44 wagons and three locomotives to cross:

Cummins, Yeelanna (1 train has to split), Lock, Warramboo (1 train has to split), Minnipa, Poochera (1 train has to split), Wirrulla (1 train has to split), Nunjikompita, Wharminda (a tight squeeze), Rudall, Waddikee (1 train has to split), Kimba.

f) Grain receival time at Pt Lincoln

These times are dictated by terminal management. It usually takes 2.5 hours to unload a whole train of 40-44 wagons. But if there are a lot of road trains unloading at the same time, then the train takes longer to unload. If departure time is approaching and all the wagons are still being unloaded, then spare wagons are used to make a new train. ASR may call them ‘spare wagons’ but they are not really spare at all.

g) Track and loco quality

The abysmal state of the track is the beginning of all the woes of the Eyre Peninsula railway. If the track was up to scratch, RTBU members would cope better with driving some of the oldest locomotives now working in Australia – average age is 35 years. ASR may appear to have a ‘spare locomotives’ but they are not really spare, since operating locomotives often fail and need to be replaced.

4. Security in Grain Supply to Export Shipping

The RTBU believes that the trend to larger grain carriers will continue, and that the demands of shopping companies for fast ship turnaround will place unachievable demands on both road and rail haulage of grain to port. Better planning of port usage should be achieved by cooperative arrangements with Flinders Ports. However, rail transport and higher speed unloading facilities at Pt Lincoln and Thevenard are the key to coping with this demand.

5. True Cost of Road Transport

The RTBU has long argued the case for Road Transport charges to be increased to recover the impact of heavy vehicle damage and to pay for the externalities of congestion, air and noise pollution, non-renewable resource use, and injuries and fatalities. The RTBU has also argued hard for equity in transport infrastructure investments so that axle loads, average speeds and transit times for road and rail modes are the same. If this were done, there would be a major shift in freight from long haul road to rail, with significant economic, social and environmental benefits.

In the Eyre Peninsula, there cannot be a special local road access charge, but there can be a major boost in rail infrastructure investment to lift the quality of rail grain services.

6. Cooperation in a networked industry

The institutional power of AusBulk and AWB and Flinders Ports does make it possible for road freight rates to be increased in areas where rail haul is the best transport option. But that should only happen when rail is capable of the task. AusBulk, AWB and Flinders Ports, backed by government regulation, can make it viable for ASR to invest in new locomotives and rolling stock. If ASR does not respond, these grain and ports agencies and the SA government can encourage the replacement of ASR with a more willing operator.

SA government investment in the rail infrastructure should be based on the transfer of the asset to the SA government. This would ensure that the government had genuine leverage in the grain transport chain.

The Hunter Valley Coal Transport Chain in NSW is a positive example of cooperation between multiple producers, the railway and the port loading agencies to obtain very efficient results and to largely eliminate heavy road coal vehicles from most public roads.

7. Structure of Eyre Peninsula Grain Export Industry

The RTBU notes that the deregulation model applied in the economy generally and in the Eyre Peninsula in particular has not produced good outcomes. The privatisation of the railway, the ports and the demutualisation of both AusBulk and AWB has produced a dysfunctional outcome for all stakeholders.

However, the *Issues Paper* suggests that these problems could be overcome by going further down the deregulation pathway, by separating port ownership from port services, and grain handling facilities from grain transport, and separating rail ownership from train operations.

This would produce even greater disincentives to cooperation and networking by stakeholders, and worse outcomes than at present.

While rail is crying out most for investment, it is clear that the silos and the ports also require further investments. But greater uncertainty and shareholder demands for profit in a more fragmented competitive arrangement will only reduce incentives to invest.

8. Sustainable Grain Transport Operations

The RTBU argues that the strategic silo investments of recent years are dysfunctional for all stakeholders except AusBulk, because they require farmers to truck grain further, and greatly increase the amount of grain moved in trucks, sharply increasing local and state road costs, and also reducing road quality. The damage is greatest around the strategic silos located away from the rail network.

A long-term plan, at least with a 15 year horizon, is needed, with the highest priority for rail upgrading, but also for the location of silos with higher speed loading facilities to re-balance transport tasks away from long haul road operations toward long haul rail operations. Port facilities also need to be upgraded and Pt Lincoln should be managed so that Thevenard continues to take a substantial part of the shipping task.

The RTBU argues that in the rail sector, only public investment will achieve the required goals, and that as part of this commitment, ownership of the track infrastructure should revert to the SA Government.

In the highly privatised grain industry in the Eyre Peninsula, a government-owned railway will give the SA government the leverage required to make a cooperative regulation regime work for all stakeholders.

RTBU National Office
February 7, 2003.