

**RAIL PRODUCTIVITY REVIEW
ISSUES PAPER**

August 2008



National Transport Commission

**Prepared by
National Transport Commission**

National Transport Commission

Rail Productivity Review Issues Paper

Report Prepared by: National Transport Commission

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REPORT OUTLINE

Date:	August 2008
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Title:	Rail Productivity Review Issues Paper
Address:	National Transport Commission Level 15/628 Bourke Street MELBOURNE VIC 3000 E-mail: ntc@ntc.gov.au Website: www.ntc.gov.au
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Objectives:	To communicate the range of issues relating to rail productivity and provide a guide to stakeholders wishing to make a submission to the review.
NTC Programs:	Productivity
Key Milestones:	A Draft Position Statement will be released in November 2008 for comment, with a Final Position Statement to be released in March/April 2009.
Abstract:	The NTC will be conducting a review of productivity impediments in the freight and passenger rail sectors. The review will also investigate the appropriate role of government in addressing productivity concerns. This paper presents productivity issues related to government policy and intervention, industry structure, asset utilisation and management, rail network, business and operational systems and the interaction of rail with other transport modes. Key questions exploring these productivity issues are also posed. This paper is intended to generate discussion regarding productivity problems in rail and provide a guide to those wishing to make a submission.
Key words:	Rail, Productivity
Comments by:	18 September 2008
Comments to be addressed to:	Chief Executive National Transport Commission L15/628 Bourke Street MELBOURNE VIC 3000

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If you are representing an organisation, please indicate your position in your organisation, and if relevant, specify at what level the submission has been authorised (branch, executive, president, sub-committee, executive committee, national body).

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FOREWORD

The National Transport Commission (NTC) is an independent body established under Commonwealth legislation and an intergovernmental agreement. The NTC is responsible for leading regulatory reform at a national level to improve transport in Australia for both users and the broader community. In this role, the NTC is charged with developing, monitoring and maintaining uniform or nationally consistent regulatory and operational reforms relating to all modes of transport.

The NTC is currently investigating rail productivity in Australia. This review comes in response to industry consultation, with rail productivity identified in the NTC's 2006-07 to 2008-09 Strategic Plan as a key work area as part of the NTC's transport efficiency objective. The review will aim to identify impediments to improving productivity within the rail industry and provide progress towards removing these impediments.

This paper follows on from the Hearsch *Rail Productivity Information Paper* and the NTC *Rail Productivity Review: An NTC Initiative*. These papers were released in June 2008 and provide further information regarding the productivity review and issues affecting productivity within the rail sector. These papers are currently available on the NTC website.

As part of the review, the NTC will be conducting extensive consultation with the rail industry, customers, government agencies and other interested parties, with a workshop on rail productivity to be convened as part of the review. On completion of the initial investigations, a Draft Position Statement will be released in November for public comment, with a Final Position Statement to be released in March/April 2009.

The NTC is pleased to continue its work within the rail sector. It is expected that this project will continue to develop positive reforms within the rail industry and assist rail in becoming a more integrated and efficient part of Australia's transport system. I would also like to acknowledge the work of Kristian Cook and Emily Porter for this report.



Greg Martin
A/Chairman

SUMMARY

The purpose of this paper is to highlight the issues that will be considered as part of the NTC's rail productivity review and provide guidance for stakeholders wishing to prepare a submission. The paper puts forward key areas for discussion and raises questions that will be addressed as part of the review. Information on how to make a submission to the NTC for consideration as part of the review is provided on page 2 and, while the review Terms of Reference is included in Attachment A.

The scope of the rail productivity review will take into account productivity issues within both the freight and passenger rail sectors, with the aim of putting forward solutions for improved productivity. In particular, the role of government and industry in addressing productivity concerns will be explored.

This paper provides an overview of the current rail environment as well as investigating a number of issues that are impacting the performance of rail transport in Australia. In particular, issues relating to government policy and intervention, industry structure, asset utilisation and management, rail network, business and operational systems, and the interaction of rail with other transport modes will be explored.

These challenges are complex and can impact the industry in a variety of ways. In both the passenger and freight rail sectors, strong population growth, rising petrol prices, a larger freight task and concerns about climate change have created a number of opportunities for growth. At the same time however, rail infrastructure is reaching capacity, with the service and reliability of rail in many areas unable to compete with road transport.

Productivity improvements will therefore be increasingly important for the rail industry to increase capacity and improve service provision. To ensure that the rail industry is able to use productive inputs most efficiently and direct investment to where it is needed an appropriate regulatory framework needs to exist. This paper therefore seeks to better understand the impacts that the existing regulatory environment has on the operation of rail in Australia and from this determine the appropriate role for government within the industry.

This review will continue to help the NTC in its implementation of the National Transport Policy Framework, which aims to create an integrated transport marketplace to meet Australia's future transport challenges. A number of issues raised in this paper relate not only to rail productivity but to the key transport priority areas highlighted in the framework. In particular, the development of an efficient transportation marketplace, infrastructure planning and investment issues, capacity constraints and urban congestion problems create important challenges for the rail industry.

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1. INTRODUCTION

1.1 Rail productivity review

The NTC is undertaking a review of rail productivity within the Australian passenger rail and rail freight sectors. The review will aim to provide an analysis of productivity issues in rail and determine the appropriate role for government and industry in addressing these concerns. In undertaking this work, the NTC intends to enhance the policy framework for rail, taking into account its interactions with other transport modes to help create a stronger transport network.

The productivity review is timely, as the NTC continues to support the ATC in their implementation of the recently released National Transport Policy Framework. This framework recognises the importance of productivity in creating an efficient transport marketplace that takes into account the transport sector as a whole, further emphasising the importance of productivity within the rail sector.

As part of the policy framework ten key priority areas were identified for the transport sector. These are identified below:

- Economic Framework for Efficient Transportation Marketplace
- Infrastructure Planning and Investment
- Capacity Constraints and Supply Chain Performance
- Urban Congestion
- Climate Change, Environment and Energy
- Safety and Security
- Strategic Research and Technology
- Workforce Planning and Skills
- Social Inclusion
- Governance

Due to the importance of rail within the transport sector these priorities also relate to a number of issues raised within this paper. In particular, the institutional frameworks necessary for creating an efficient and integrated market place for rail will be investigated as part of the review. This includes the access and competition regimes that underpin rail transport and rail's ability to interact with other transport modes as part of an efficient supply chain.

The review follows on from the development of national model legislation for rail safety, representing a further commitment by the NTC to ensure the sector benefits from continuing reforms.

1.2 Purpose of this paper

This paper aims to raise a number of issues related to rail productivity and the role of government in addressing productivity concerns. The exploration of these issues will form the basis of the NTC's review into freight and passenger rail productivity within Australia. As such, this paper is intended to communicate the range of issues that will be addressed as part of the review and provide assistance to interested parties in making a submission.

1.3 How to make a submission

The NTC welcomes stakeholder input as part of our review into rail productivity. All individuals and organisations are able to make a submission. To ensure the NTC can obtain the most benefit from the submissions, interested parties are encouraged to address matters they consider relevant to the review and where possible provide evidence or data as part of the submission.

All submissions to the rail productivity review should be received by 18 September 2008. Online submissions can be lodged via the NTC website at www.ntc.gov.au. Hardcopy submissions can be submitted to:

Rail Productivity Review
National Transport Commission
L15/628 Bourke St
MELBOURNE VIC 3000

Submissions will be made available publicly via the NTC website unless specifically requested to be confidential. For more information on providing a submission to the NTC, refer to the 'How to Make a Submission to the NTC' page at the start of this paper. If you have any queries regarding the submission process please contact Emily Porter on (03) 9236 5031.

2. WHAT IS PRODUCTIVITY?

The rail productivity review aims to determine areas where the rail industry can better use productive inputs to achieve an improved outcome in terms of quantity and/or quality of service provision. As the rail industry is very capital intensive, the improved use of rail assets and infrastructure is likely to be important in achieving productivity gains.

In economic terms, productivity is usually defined as the rate at which goods or services are produced per unit of input. Inputs can refer to anything used within the production process e.g. raw materials, employee skills and time, electricity consumption etc. As such, improving productivity within the rail industry involves more than just increased investment in infrastructure, assets or other inputs, but improvements in the way existing or new assets are used to provide rail services.

3. THE CURRENT RAIL ENVIRONMENT

Australia's rail transport system is currently facing some important challenges, with the expected doubling of Australia's freight task from 2000 to 2020¹ and the increasing problems of urban congestion in major centres. However, despite increasing freight movement within Australia, rail's share of the freight task has been falling². The service, reliability and transit times of rail transport compared to road have seemingly deterred many freight customers from increased rail usage.

¹ National Transport Commission 2006, Twice the Task – A review of Australia's Freight Transport Task, <http://www.ntc.gov.au/DocView.aspx?page=A02312400400570020>

² BTRE 2003, Information Sheet 22 - Freight Between Australian Cities 1972 to 2001, <http://www.btre.gov.au/info.aspx?ResourceId=87andNodeId=61>

In passenger rail, population growth and the increasing price of petrol have resulted in large increases in patronage in urban centres, however the proportion of individuals using public transport still remains low compared to car usage³. This is largely due to public transport being seen as unreliable and less convenient, with a number of problems regarding connectivity between buses, trains and light rail and a lack of across city transport routes. A lack of access to public transport and poor service availability also reduces patronage, especially in outer-suburban areas.

The pending introduction of a carbon market and the continuing increases in the price of petrol present a number of opportunities and challenges for the rail industry. As carbon becomes a priced input across the economy and concern about emissions grow, rail as a relatively low emissions transport mode can obtain a competitive advantage relative to the road transport sector. Increasing petrol prices will provide a further competitive advantage to rail, increasing demand for rail services. However, to take advantage of these opportunities, the rail industry needs to ensure that the existing rail networks, assets and underlying systems are able to meet the increased demand for rail services.

The rail industry, therefore, faces a number of challenges and opportunities in both the freight and passenger sectors. Increased productivity within the industry can help to address these issues, however it is useful to gain an understanding of the existing passenger and freight rail tasks and how they are performing to understand where productivity improvements can create the greatest benefit.

3.1 Freight rail in Australia

3.1.1 Industry structure

The ownership and management of Australia's railways are generally divided into 'below rail' (track and infrastructure management) and 'above rail' (operators of trains and rolling stock) operators. These arrangements vary depending on the state and rail network concerned. Table 1 provides an overview of the ownership and management arrangements for rail freight infrastructure in each state.

Network access for above rail operators is generally managed by the track manager and guided by access regulations. While this is intended to allow above rail operators to compete across the rail network, above rail competition in most areas is limited. As such, the majority of the freight task is conducted by the major freight operators, Pacific National, Australian Railroad Group (ARG), Queensland Rail, Freightlink, Genesee and Wyoming Pty Ltd and SCT Logistics.

³ Australian Bureau of Statistics (ABS) 2008, 1301.0 Year Book Australia 2008 – Transport Activity, <http://www.abs.gov.au/ausstats/ABS@.nsf/7d12b0f6763c78caca257061001cc588/83370CA43C85CE6ECA2573D20010BE45?opendocument>.

Table 1. Rail freight infrastructure providers and managers

State	Track Owner	Track Management and Access Provider
Victoria	<ul style="list-style-type: none"> Victorian Government (VicTrack) owns all rail track Interstate tracks under lease to Australian Rail Track Corporation (ARTC) Intrastate tracks under lease to VLine 	<ul style="list-style-type: none"> Intrastate Lines managed by VLine Interstate lines managed by ARTC
New South Wales	<ul style="list-style-type: none"> NSW Government (Rail Infrastructure Corporation) owns all rail track Interstate and Hunter Valley Network under lease to ARTC from NSW Government (Rail Infrastructure Corporation) 	<ul style="list-style-type: none"> Interstate, Hunter Valley and Country Rail Network managed by ARTC
Queensland	<ul style="list-style-type: none"> Network owned by Queensland Rail Sugar Cane Railways are privately owned and operated 	<ul style="list-style-type: none"> Network managed by Queensland Rail
Western Australia	<ul style="list-style-type: none"> Interstate Kalgoorlie to Adelaide owned by ARTC South West Rail Network owned by WA Government and under lease to WestNet Rail BHP Billiton's Iron Ore Rail and Pilbara Rail are privately owned and operated (these rail lines are currently the subject of an access dispute) 	<ul style="list-style-type: none"> Interstate Kalgoorlie to Adelaide operated by ARTC South West Rail Network managed by WestNet Rail
South Australia	<ul style="list-style-type: none"> Interstate track owned By ARTC Adelaide to Darwin Track owned by FreightLink, who have announced plans to sell Intrastate track owned by Genesee and Wyoming Pty Ltd 	<ul style="list-style-type: none"> Interstate track managed by ARTC Adelaide to Darwin Track managed by FreightLink, who have announced plans to sell Intrastate track managed by Genesee and Wyoming Pty Ltd
Tasmania	<ul style="list-style-type: none"> Rail track is owned by the Tasmanian Government 	<ul style="list-style-type: none"> Rail track is operated by Pacific National who have announced plans to withdraw from the state
Northern Territory	<ul style="list-style-type: none"> Adelaide to Darwin Track owned by FreightLink, who have announced plans to sell 	<ul style="list-style-type: none"> Adelaide to Darwin Track managed by FreightLink, who have announced plans to sell

Source: Operator and jurisdiction websites, July 2008

3.1.2 Freight volumes

The Australian Rail Industry Report 2006 (ARA/Apelbaum Consulting 2007) presented the following key statistics regarding the Australian rail freight task:

- In 2005-06, 992.91 million tonnes of freight was carried by rail, representing a 9.6% increase from the 2002-03 freight load of 906.33 million tonnes.
- Ancillary freight (movement of an entity's own freight by in-house operators) accounted for 64.5% of freight carried in 2005-06.

- The remaining 35.5% of rail freight was carried under hire and reward arrangements (transport operators that carry freight for third party entities on a commercial basis).
- Bulk cargoes made up 94.8% of the rail freight task in 2005-06 or 941.45 million tonnes.
- Bulk transport of coal and mineral ores made up the majority of rail freight task, with 51% and 27% of the total tonnage moved respectively.
- Non-bulk cargo has increased from 3.5% of the total freight task in 2002-03 to 5.2% in 2005-06.

The rail freight task has shown further increases when taking into account the distance the cargo travels, highlighting the increased competitiveness of rail for medium and long haul freight tasks. The following provide an overview of rail's performance on a net tonne kilometre basis:

- Total freight task has increased from 252.24 billion net tonne kilometres in 2002-03 to 292.23 billion net tonne kilometres in 2005-06 or by 13.6%.
- The non-bulk rail freight task has increased by 28% from 2002-03 to 2005-06 or from 43.84 billion to 63.46 billion net tonne kilometres.

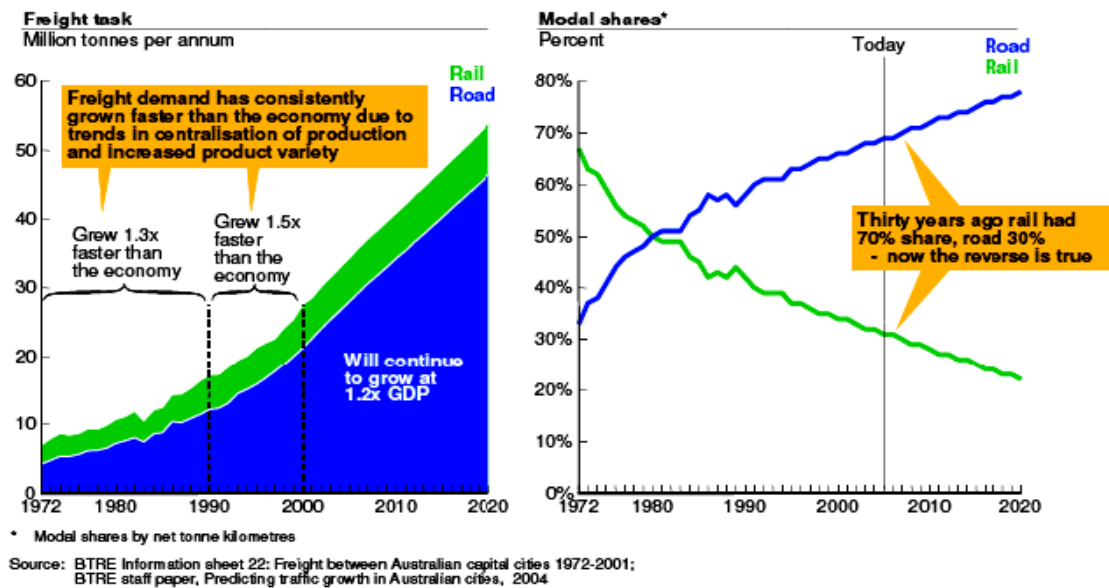
3.1.3 Rail freight vs road freight

In 2001-02, Australia's domestic freight task totalled 2.3 billion tonnes. Rail carried 25% of this tonnage as compared to 73% by road transport and 2% by sea. On a per tonne kilometre basis, the proportion carried by rail increases to 38%, compared to 35% by road transport, highlighting the advantage of rail for long distance haulage⁴.

Figure 1 shows how the Australian intercapital freight task has grown since 1972 and the share carried by rail in both total tonnage moved and net tonne kilometres. As shown, the proportion of freight transported by rail has been in decline, with increased road freight accounting for the majority of the increase in Australia's freight task.

⁴ Department of Transport and Regional Services 2005, Submission to the House of Representatives Standing Committee on Transport and Regional Services - Inquiry into the Integration of Regional Rail and Road Freight Transport and their Interface with Ports, <http://www.aph.gov.au/house/committee/trs/networks/subs/sub103.pdf>.

Figure 1. Intercapital freight modal shares



Source: Standing Committee on Transport and Regional Services (Paul Neville MP), The Great Freight Task – Is Australia’s transport network up to the challenge?, <http://www.aph.gov.au/House/committee/trs/networks/report.htm>, July 2007 .

Updated data from the Bureau of Transport and Regional Economics (BTRE) forecasts rail’s intercapital freight task in tonne kilometres to grow by 2.9% per annum from 2003 to 2020. This is compared to growth of 3.8% in the road sector. Coastal shipping is expected to grow even more strongly over the period by 4.8% per annum. Therefore, by 2020 it is expected that rail will carry around 28% of the intercapital freight task compared to 65% and 7% for road and coastal shipping freight respectively⁵.

Rail freight tends to be more competitive compared to road freight on medium or long haul freight routes. This is demonstrated in the difference in road and rail shares in the north-south and east-west intercapital freight routes. Table 2 provides a comparison of road and rail freight on the key north-south and east-west freight corridors, while Figure 2 below provides the proportion of intercapital freight carried by rail for a number of key freight routes.

⁵ Bureau of Transport and Regional Economics [BTRE] 2006, Freight Measurement and Modelling in Australia. Report 112, BTRE, Canberra ACT.

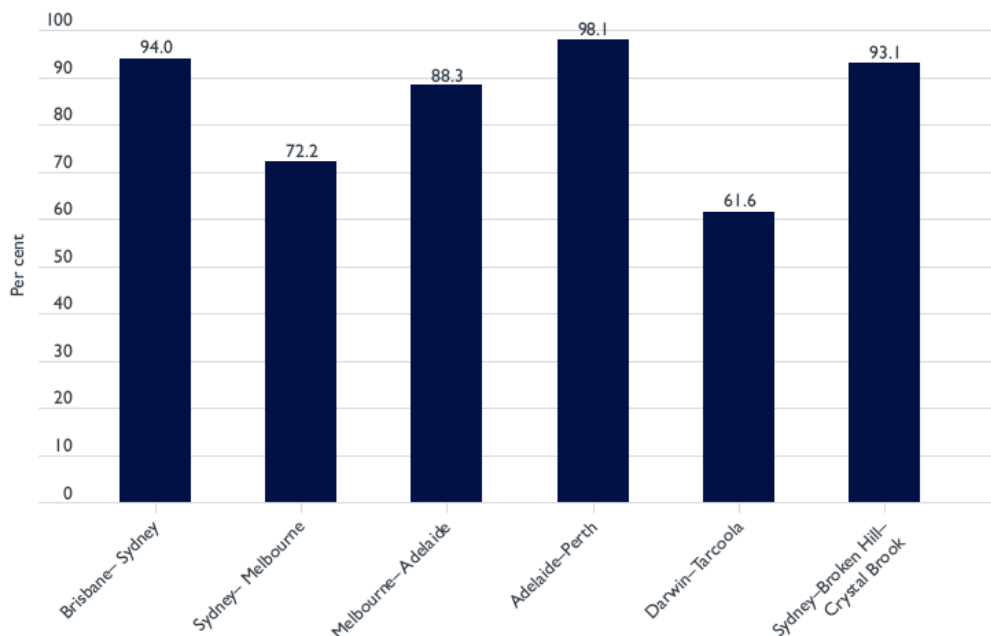
Table 2. Road vs rail comparison table

Markets	Length of Haul/Corridor	Relative Rail Service Level 2004	Relative Rail Price 2004
East – West	Medium/Long haul NSW/Qld/Vic/SA – WA NSW/Qld – SA	Comparable transit time and reliability to road	Around 30-40% less than road
North - South	Short/Medium Haul NSW-Vic/Qld Vic-Qld Vic-SA	Inferior transit time and reliability to road	Comparable to road

Source: ARTC, Submission to Productivity Commission Review of National Competition Policy Arrangements, June 2004

The freight task is expected to increase strongly, with the strongest growth expected to occur in the non-bulk interstate and urban freight markets. Growth in these segments is expected to be around 3.8% and 3.5% per annum respectively to 2020⁶. Lower growth is expected in rail’s traditional bulk freight market, with growth to 2020 expected to be around 2.3% per annum. This presents a number of challenges for rail to compete within the non-bulk market where road freight has traditionally carried a much larger share. This will be especially evident in the urban freight markets, where rail does not have the advantage of distance.

Figure 2. Proportion of rail’s share of freight on key interstate routes



Note: This represents share in total interstate rail task, based on above-rail operators’ data. It differs from Figure 15 in BTRE (2007b) which gives a share of total rail task (interstate plus intrastate).

Source: Asciano, Australian Railroad Group, FreightLink, QRNational and SCT Logistics.

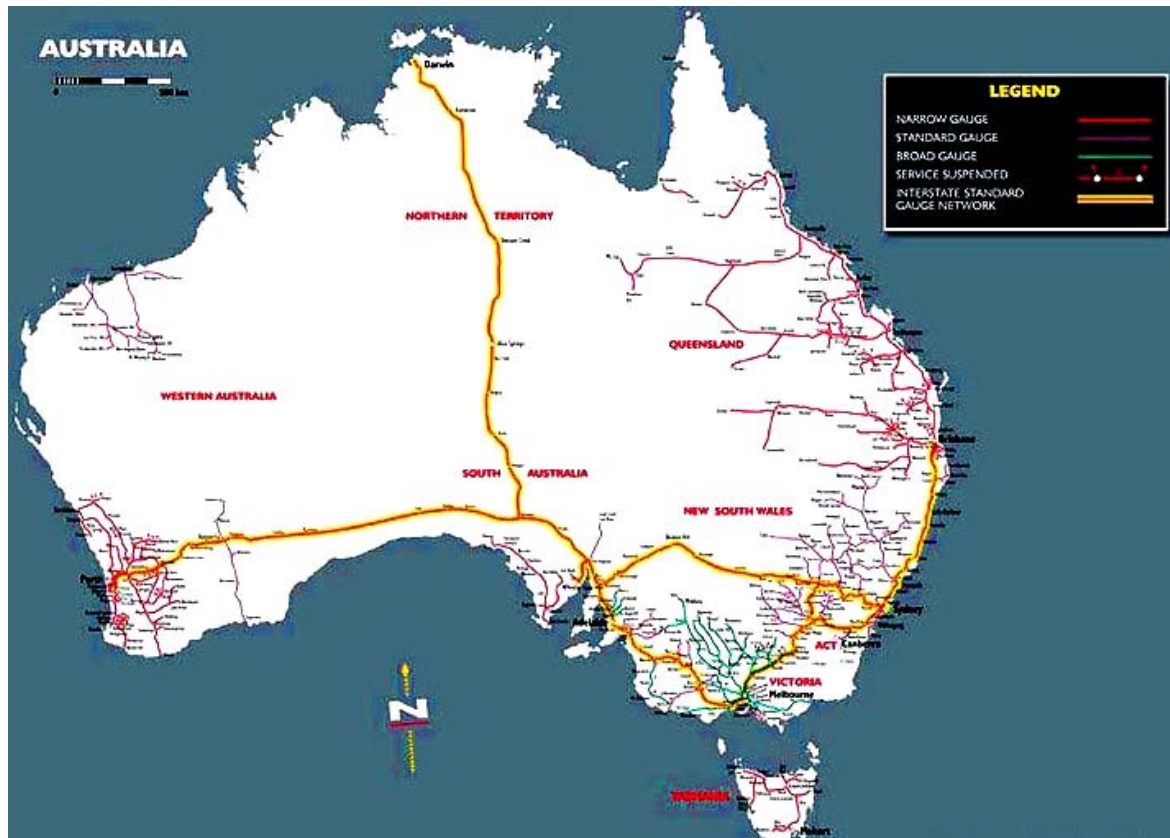
Source: BITRE, Information Paper 62, Intercapital Rail freight Performance 2006-07, June 2008

⁶ Bureau of Transport and Regional Economics [BTRE] 2006, Freight Measurement and Modelling in Australia. Report 112, BTRE, Canberra ACT.

3.1.4 Freight rail network

The Australian rail network covers a vast area incorporating a number of different rail gauges as illustrated in Figure 3. Gauges tend to vary by state, however an interstate standard gauge rail network has also been developed. Freight rail in many parts shares the rail network with passenger services. While this increases the value available from the rail infrastructure, this can also cause congestion problems on busy lines. Figure 3 shows the current rail network, including the various gauge types across Australia.

Figure 3. Map of Australia's rail network



Source: Australasian Railway Association (ARA), Rail Network Map, <http://www.ara.net.au/railnetwork.htm>, accessed July 2008.

The quality of rail track varies across the network and is dependent on a number of factors including the quality of renewal work, track usage, climatic and geographical features and the quality and regularity of maintenance work. There are a number of areas in Australia where track quality is fairly poor. This can affect the type, number and speed of trains that use the track, reducing the value and reliability of rail services for customers. This has become a particular issue on some of the branch grain lines in New South Wales and Victoria, where deteriorating track quality has led to track speeds and maximum loads being severely reduced, with maximum speeds of less than 25km/hr on some line sections⁷.

The number and length of passing loops on a section of track also has a large impact on the length and quantity of trains allowed on a particular section of track. Figure 4 shows the

⁷ John Hearsch Consulting Pty Ltd, Rail Industry Productivity Review, March 2008.

maximum restricted and unrestricted train lengths allowed on various segments of the interstate standard gauge network. The unrestricted length refers to the maximum length allowable without approval from the track manager, while the restricted length refers to the maximum possible length allowed on the track segment. These types of differences across line segments can increase the costs of moving freight across multiple segments.

Figure 4. Map of unrestricted (and restricted) train lengths by line segment, 2006-07



Source: Australian Rail Track Corporation, FreightLink, Queensland Rail Network Access, RailCorp and WestNet.

Source: BITRE, Information Paper 62, Intercapital Rail freight Performance 2006-07, June 2008

3.2 Passenger rail in Australia

3.2.1 Passenger rail industry

Passenger rail has traditionally been operated by state government. Despite some privatisation and corporatisation in the 1990s, state governments are still heavily involved in the provision of public transport services. Table 3 provides an overview of the passenger rail operators around Australia.

Table 3. Passenger rail industry structure

State	Metropolitan Services	Regional Services
Victoria	<ul style="list-style-type: none"> • Rail track and infrastructure owned by Victorian Government (VicTrack) • Passenger services, network and rolling stock maintenance managed and operated by Connex under contract from Victorian Government 	<ul style="list-style-type: none"> • Rail track and infrastructure owned by Victorian Government (VicTrack) • Passenger services, network and rolling stock maintenance managed and operated by VLine (a Victorian Government corporation)
New South Wales	<ul style="list-style-type: none"> • Sydney Metropolitan Network owned and operated by City Rail, which forms part of Rail Corporation New South Wales (RailCorp) a NSW government corporation 	<ul style="list-style-type: none"> • Country Rail Network owned and operated by Country Link, which forms part of Rail Corporation New South Wales (RailCorp) a NSW government corporation
Queensland	<ul style="list-style-type: none"> • Brisbane Metropolitan Network owned and operated by Queensland Rail (QR), a government corporation 	<ul style="list-style-type: none"> • Queensland regional network owned and operated by Queensland Rail (QR), a government corporation
Western Australia	<ul style="list-style-type: none"> • Perth Metropolitan Network owned and operated by TransPerth, which is part of the WA government's Public Transport Authority 	<ul style="list-style-type: none"> • WA Regional Network owned and operated by TransWA, which is part of the WA governments Public Transport Authority
South Australia	<ul style="list-style-type: none"> • Adelaide Metro Transport is operated by TransAdelaide a SA government Corporation, with the infrastructure owned by the SA government 	<ul style="list-style-type: none"> • No regional services operate in SA
Tasmania	<ul style="list-style-type: none"> • No passenger services operate in Tasmania 	<ul style="list-style-type: none"> • No passenger services operate in Tasmania
Northern Territory	<ul style="list-style-type: none"> • No passenger services operate in the Northern Territory 	<ul style="list-style-type: none"> • No passenger services operate in the Northern Territory
Interstate	<ul style="list-style-type: none"> • Interstate passenger rail operates on ARTC interstate standard gauge track • Adelaide to Darwin services is operated on FreightLink rail track which is currently up for sale • East-west above rail services are provided by Great Southern Rail, a private operator • Melbourne - Sydney - Brisbane services provided by CountryLink, the NSW regional passenger operator 	

Source: Operator and track manager websites, July 2008

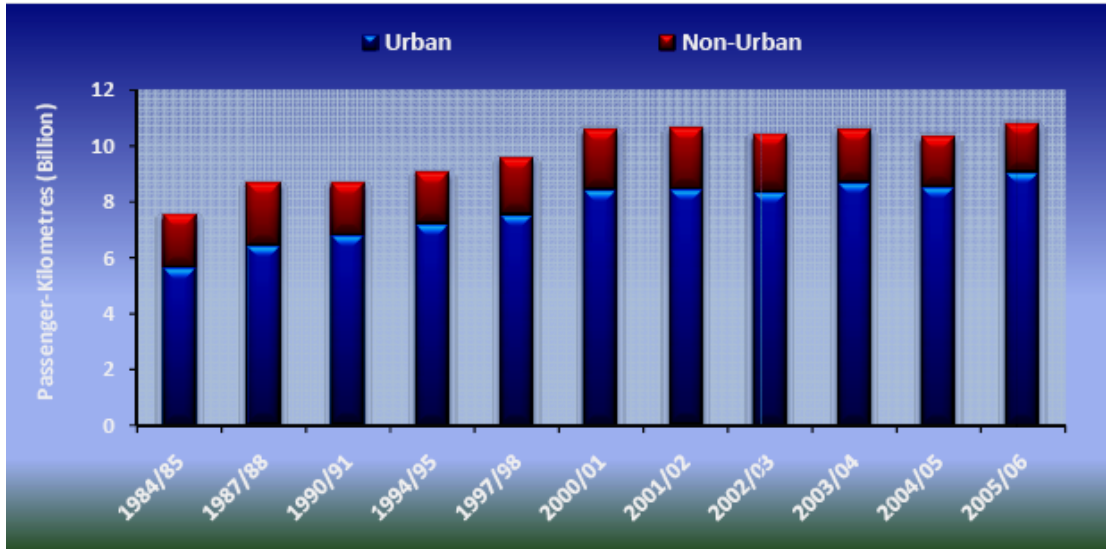
3.2.2 Passenger volumes

Urban passenger rail networks have seen unprecedented growth in passenger numbers in recent years. In 2005-06, the number of passenger journeys taken on Australia's heavy and light rail services increased by 4.4% to 643.4 million journeys. The majority of this growth came from urban areas, however, the non-urban passenger task also increased by around 3%. These increases are due to both strong population growth in the state capitals and increasing petrol prices. Urban heavy rail services accounted for 94.3% of the urban rail passenger task, with light rail accounting for the remaining 5.7%.

The total national rail passenger task, measured in passenger kilometres, increased by 5.3% to 11.9 billion passenger kilometres in 2005-06. Figure 5 shows the changes in the national rail passenger task from 1985 to 2006.

Source: Apelbaum Consulting, Australian Rail Transport Facts 2008, May 2008

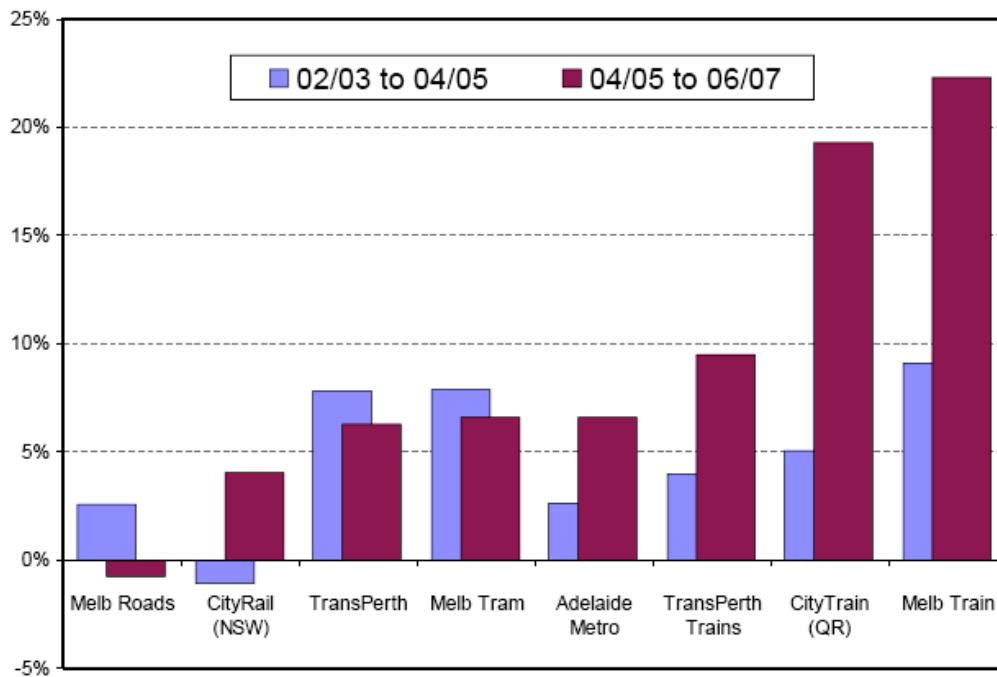
Figure 5. National passenger task (passenger-kilometres) 1984-85 to 2005-06



Source: Apelbaum Consulting Group 2008, Australian Rail Transport Facts 2008, May 2008.

Figure 6 further highlights the high growth in patronage occurring in the urban transport networks as well as an estimate of the affect of the increased train usage on Melbourne’s roads.

Figure 6. Percentage change in transport patronage by city and mode

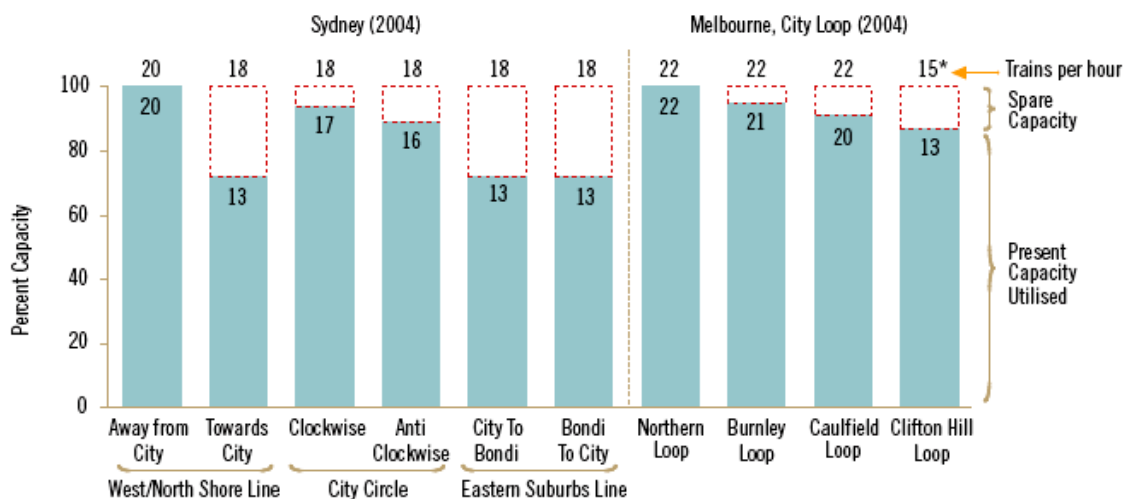


Source: Connex, Easing Urban Congestion Melbourne’s Trains, Presentation to CEDA, 18 June 2008, Bruce Hughes, June 2008. NB: ‘TransPerth’ figures include all rail, bus and ferry services provided by TransPerth, while ‘TransPerth Trains’ figures only include the rail services.

3.2.3 Passenger network access and congestion

The development of urban rail networks began in the mid 19th century in Sydney, Melbourne, Adelaide and Perth. These lines form the basis of the current suburban rail networks in these cities. Although these networks have been expanded and modernised over the 20th century, limited development of new rail has taken place in urban centres since the 1980-90s. A number of access and capacity issues have resulted, as urban sprawl combined with rapid population growth have diminished the capacity of the existing rail networks to serve current transport needs. This problem is set to continue into the future, with strong forecast increases in urban freight volumes and passenger trips. The costs of urban congestion are estimated to reach \$20 billion by 2020, further highlighting the scope of the problem⁸. Figure 7 shows the excess system capacity available to operators in 2004, illustrating the infrastructure bottlenecks that exist within the Melbourne and Sydney networks.

Figure 7. Capacity constraints in Sydney and Melbourne 2004



Note: *17 per hour in pm peak

Source: The Age, 'Melbourne's Rail Network Fit to Bust', Christie, R. 'Long-term Strategic Plan for Rail' (2001)

Source: ARA, National Passenger Transport Agenda, 2006

The movement of 'peak hour' private commuters to mass transit systems is a viable method for tackling congestion. However, existing urban transport systems are struggling to cope with current demand. This is a result of both demand and supply side factors. On the supply side, there has been minimal new investment in public transport infrastructure since the 1980s in most capital cities, with the exception of Adelaide and Perth⁹. A number of factors have made further investment difficult, including a lack of coordinated planning across all levels of governments; inadequate land banking in some areas; and low density residential development, which makes achieving economies of scale difficult.

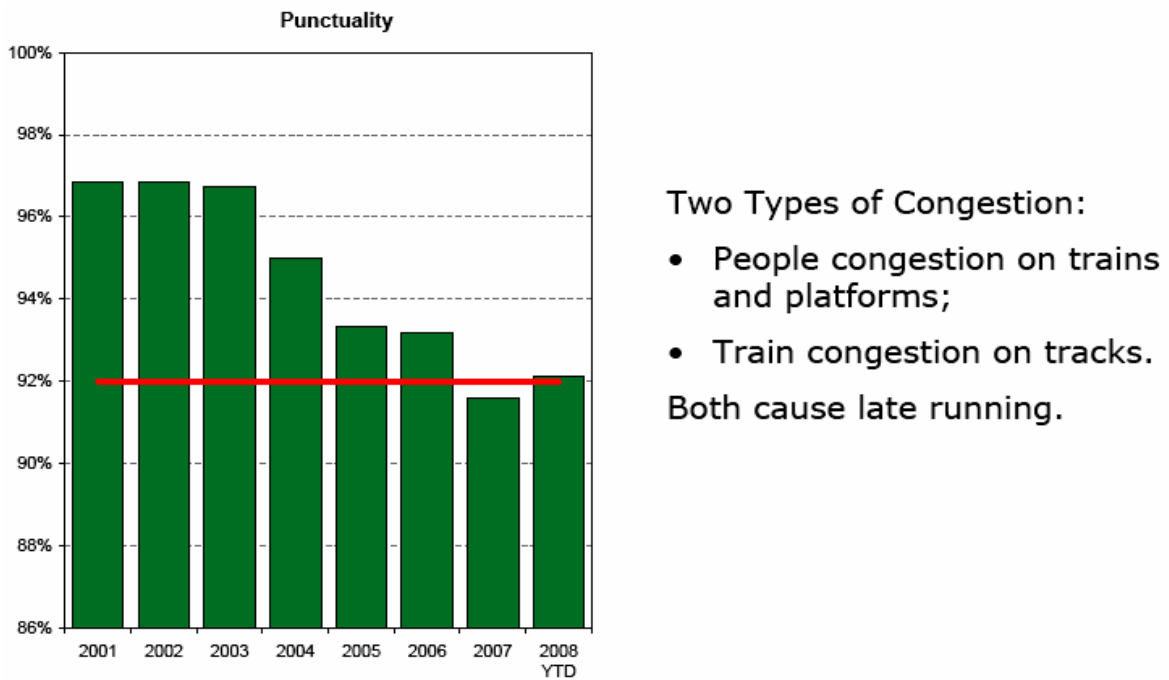
⁸ Bureau of Transport and Regional Economics [BTRE], 2007, Estimating urban traffic and congestion cost trends for Australian cities, Working paper 71, BTRE, Canberra ACT.

⁹ Perth and Adelaide are notable exceptions. Perth has recently completed a major expansion of its urban rail network with further enhancements planned. Adelaide has also announced a major work program to improve its urban rail infrastructure including electrification and extension of a number of lines.

On the demand side, population growth and rising petrol prices have resulted in large patronage growth. However, there are still a number of impediments to further demand for public transport. Those living on the city fringes tend to have less access to the available rail and bus network, with poor land use planning and coordination between governments in some areas limiting the potential for future public transport provision. Increasing petrol prices have made the lack of transport access more of an issue, as residents of the road-reliant outer suburbs are less able to adjust their behaviour to cope with higher transport costs. Due to the lower socio-economic profile of many outer suburban locations, this not only presents a transport problem but raises issues regarding equity and social inclusion.

Inconsistent service levels and reliability of public transport also reduce the value of public transport for users and reduce demand. This is likely to become more of an issue as the existing system reaches capacity. Figure 8 shows the impact of increased congestion on the reliability of services in Melbourne. Inconsistent pricing of alternate transport modes, such as fringe benefit tax (FBT) concessions for increased car use, can also reduce demand for mass transit systems.

Figure 8. Punctuality of Melbourne’s train services 2001 to 2008



Source: Connex, Easing Urban Congestion Melbourne’s Trains, Presentation to CEDA, 18 June 2008, Bruce Hughes, June 2008

Passenger and freight services share key rail infrastructure, which can place further congestion pressures on infrastructure in urban areas. Passenger services currently take precedence over freight services in all areas. This can cause major bottlenecks for freight operations as evidenced by the increases in coal movements to the Port of Brisbane using parts of the Brisbane metropolitan network. This problem is likely to become more severe as both the urban passenger task and urban freight increase¹⁰.

¹⁰ Bureau of Transport and Regional Economics [BTRE] 2006, Freight Measurement and Modelling in Australia. Report 112, BTRE, Canberra ACT.

4. ISSUES AFFECTING RAIL PRODUCTIVITY WITHIN AUSTRALIA

This section provides an overview of some of the issues and questions that will be investigated as part of the rail productivity review. Many of the issues presented impact both passenger and freight rail and stem from a range of causes. Indeed, as passenger and freight rail share infrastructure in many areas, productivity improvements in one sector can greatly influence productivity concerns in the other. However, to provide a clear overview of rail productivity, this paper identifies issues as they impact on passenger and freight rail in relation to the following areas of interest:

- government policy and intervention;
- industry structure;
- asset utilisation and management;
- rail network;
- business and operational systems and;
- the interaction of rail with other transport modes.

4.1 Government policy and intervention

Since the mid 1990s government has played a decreasing role in the operation of rail services around Australia with the corporatisation and/or privatisation of all freight rail services and some urban passenger rail services. However, governments still have a large impact within both the passenger and freight rail sectors, through transport policy, pricing regulation, access and competition arrangements, safety and environmental regulations, planning issues and funding arrangements.

Governments therefore have a role in ensuring the appropriate economic frameworks are established to support the development of rail within an efficient and integrated transport market. It is also necessary for governments to clearly define their role within the industry and the actions they are willing to undertake in carrying out this role. This will provide certainty within the industry, which will allow more effective long run planning and decision making.

4.1.1 Freight

Rail infrastructure is an example of a natural monopoly. This results in governments regulating the prices charged by infrastructure providers to try and avoid operators charging monopoly prices. Regulated access charges that are set too high can result in a lack of competition for above rail services and reduce demand for rail services. However, where prices are set too low, long run capital costs may not be recovered. Excessive regulation of pricing may also reduce the ability of access providers to modify their prices to encourage more productive behaviour from their customers and reduce incentives to provide more efficient services. Governments, therefore, need to ensure that robust pricing mechanisms are in place and, where possible, encourage competition within the market.

Access regimes and competition regulation for rail and terminal infrastructure have an impact on the potential for above rail competition on many lines. Poorly designed access regimes can reduce above rail competition and create barriers for new entrants seeking access to a market. Alternatively, competition regulation that is designed to stop collusion within industries can also deter cooperative arrangements that can create huge productivity gains for participants. The National Transport Policy Framework highlights this issue, recommending a review of the current access and competition arrangements to determine

whether they are creating additional costs or barriers within the industry¹¹. Governments also need to ensure that industry adequately understands its rights and responsibilities within these areas to reduce uncertainty and encourage efficient economic outcomes.

Given the current capacity constraints within the rail network there is a need for new investment in assets and infrastructure. Governments have generally moved away from funding freight rail infrastructure to a user pays system. It is therefore important to determine the role of government in providing rail freight infrastructure. As part of this process a clear understanding of any market failures or community and social obligations that cannot be addressed by the private sector need to be identified.

Government intervention in the rail industry also needs to take into account previous government impacts across all modes of transport. This is to ensure that where possible, distortions are removed from the market and the full economic costs and benefits of rail transport as compared to other modes can be evaluated by customers. A Productivity Commission report found that competitive distortions between road and rail have been limited and have not been a major source of market inefficiency¹². However, existing pricing and regulatory structures can impede the efficient provision and use of transport infrastructure and raise concerns regarding competitive neutrality.

A lack of long term land use planning and insufficient land banking can lead to inefficient investment in new transport infrastructure and an over reliance on the existing infrastructure. Inadequate planning processes can also impact on the way existing infrastructure can be used or expanded, i.e. if controls on residential development around terminal facilities have not been put in place, curfews or other restrictions may occur. This provides an example of the existing gulf between policy development and infrastructure investment. Further coordination between the three levels of government and the development of a longer term transport strategy could aid infrastructure investment and improve integration between transport modes.

There is a need for governments to consider future transport demands when developing infrastructure and land use plans to ensure that scarce resources are properly allocated. In circumstances where previous land use allocations have led to sharing of infrastructure and environments from transport and other uses, effective environmental regulations and controls need to be enacted. This includes controls on noise, air quality, safety and vehicle curfews. These factors can have large impacts on productivity while often providing limited gains.

Differences in standards, regulation and regulatory bodies across jurisdictions increase costs for industry and slow the flow of goods and information. Some harmonisation of standards has been occurring through the development of national model legislation for rail safety and the Rail Industry Safety and Standards Board (RISSB), however, further gains could be realised. Table 4 provides an overview of the various rail regulators around Australia, highlighting the challenging regulatory environment that rail operates under. To reduce the regulatory burden, jurisdictions need to be committed to harmonisation to ensure a more efficient transport industry. This will be increasingly important as the interstate freight task continues to increase¹³.

¹¹ Australian Transport Council (ATC), National Transport Plan: A New Beginning, March 2008

¹² Productivity Commission 2006, Inquiry Report No. 41, Road and Rail Freight Infrastructure Pricing, Canberra ACT.

¹³ Bureau of Transport and Regional Economics [BTRE] 2006, Freight Measurement and Modelling in Australia. Report 112, BTRE, Canberra ACT.

Table 4. Rail regulation across Australia

State	Economic Regulator	Safety Regulator	Safety Investigator
Victoria	<i>Essential Services Commission (ESC)</i>	Public Transport Safety Victoria	Office of the Chief Investigator
	ESC regulates the access arrangements for the urban (Connex), regional (VLine) and South Dynon port terminal networks		
New South Wales	<i>Independent Pricing and Regulatory Tribunal (IPART)</i>	Independent Transport Safety and Reliability Regulator	Office of the Transport Safety Investigator
	IPART regulates the access arrangements for the CityRail, CountryLink and Hunter Valley networks		
Queensland	<i>Queensland Competition Authority (QCA)</i>	Queensland Transport	Queensland Transport
	QCA regulates the access arrangements for the Queensland Rail network		
Western Australia	<i>Economic Regulation Authority (ERA)</i>	Office of Rail Safety WA (DPI)	Department of Planning and Infrastructure
	ERA regulates the access regime for rail track operated by WestNet rail in the state's south-west		
South Australia	<i>Essential Services Commission of South Australia (ESCOSA)</i>	Department of Transport, Energy and Infrastructure	Department of Transport, Energy and Infrastructure
	ESCOSA regulate the SA access regime which covers the TransAdelaide urban network, Genesee and Wyoming regional lines and the Great Southern Railway passenger terminal		
Tasmania	<i>No Economic Regulator</i>	Department of Infrastructure, Energy and Resources	Department of Infrastructure, Energy and Resources
Northern Territory	<i>No Economic Regulator</i>	Department of Planning and Infrastructure	Department of Planning and Infrastructure
Commonwealth	<i>Australian Competition and Consumer Commission (ACCC)</i>	No national safety regulator	Australian Transport Safety Bureau
	<i>National Competition Council (NCC)</i>		
	ACCC regulates access for the ARTC managed interstate track network		
	NCC certify state access regimes and are responsible for declaring infrastructure as 'essential'		

Source: Various jurisdiction and regulator websites, July 2008

4.1.2 Passenger

Governments have remained heavily involved in the provision of passenger rail. All urban passenger and intrastate rail services are operated by government corporations, with the exception of Melbourne's urban rail network. The current industry structure is likely to remain stable in the short term. Proponents of privatisation may argue for further private involvement in passenger rail services to provide incentives for operators to drive efficiencies and service improvements. However, privatisation also requires governments to undertake extensive contract negotiation and monitoring to ensure that the correct incentives for asset maintenance and customer service are in place, which may reduce any possible gains from private involvement.

Even within Melbourne's privatised rail network, rail fares are regulated by government. This is due to not only the natural monopoly characteristics discussed above, but the social benefits available from public transport. Prices are generally regulated to limit the frequency and severity of any price rises put forward by the operator and also control concession entitlements for train travel. Passenger prices do not aim to recover the full costs of providing the rail services, as some subsidy is usually provided by government to ensure accessibility. However, operational costs and capital expenditure are taken into account by regulators in setting rail prices. Strongly regulated prices can reduce the ability of the operator to recover costs and hinder development of more innovative pricing models (e.g. off-peak pricing).

Growing urban populations and the effect of rising petrol prices are increasing the demand for urban rail services. As such, the existing infrastructure is facing capacity constraints, with additional upgrading and expansion required in many areas. Effective transport and infrastructure planning needs to be carried out, taking into account a range of factors including:

- population growth
- transport needs
- service quality
- environmental concerns
- land availability and access
- modal pricing and linkages to other transport modes

Ensuring access to public transport is also important for social reasons such as social inclusion and access to employment and services.

4.1.3 Key points for consideration

Key issues

- Access regimes and competition regulation
- Industry structure and contracts
- Differences in standards, regulation and regulatory bodies across state borders
- Investment and funding arrangements
- Market failures/community and social obligations
- Pricing regulation and constraints
- Land use and planning issues
- Safety and environmental regulations

Key Questions

What role does government currently play within the rail industry? How does this benefit/disadvantage the industry? Could a national rail regulatory framework facilitate productivity improvements in the rail industry?

Where is it appropriate for the government to intervene in the provision/regulation/support of rail?

How effective is the current structure for setting rail prices within the passenger and freight sectors? Does this provide adequate incentives and flexibility for operators? Are monopoly pricing concerns adequately dealt with?

Are there any market failures occurring within the rail sector that the government could help to address?

How can government more effectively regulate prices and infrastructure access within the rail sector?

Does the provision of rail address any community or social obligations or provide any external benefits to society and what are the benefits? Could these benefits be provided by government more efficiently through other means?

Is sufficient land use planning and land banking occurring to ensure that future transport needs are accommodated?

4.2 Industry structure

The rail industry in Australia has undergone massive changes in its organisational and ownership structures in recent history, with the industry moving from government ownership and management of vertically integrated rail networks to a privatised/corporatised industry, with separation of below and above rail services.

4.2.1 Freight

Australia's public or open access rail track continues to be owned by government corporations or government directly, with the largest track manager ARTC, a government corporation, leasing rail track from the NSW and Victorian governments. Private rail also operates in the Pilbara region in WA and in Queensland to service the sugar cane industry. Rail freight is now carried entirely by private operators or government corporations, with

the industry being dominated by a number of key players (Queensland Rail, Pacific National, ARG and FreightLink).

Under the current structure, above and below rail operations are separated to encourage above rail competition. This can create issues with regard to access and access charges, which are generally regulated by government. Ineffective access and charging regimes can create barriers to entry for new participants and reduce demand for rail services. The separation of track managers and freight operators can also create incentive problems. Track managers may not benefit from carrying increased freight volumes. Track managers leasing track from governments may also face reduced incentives to reinvest in the rail track infrastructure. The separation of different rail functions can provide positive operational benefits but also presents problems regarding communication between players.

4.2.2 Passenger

Less privatisation has occurred in the passenger rail sector, with the majority of services being operated by government or government owned corporations. However, track management and the development of long term public transport policy are generally conducted in isolation from passenger rail operations. This is particularly evident in Melbourne where the operation of the metropolitan rail system has been privatised. This separation can create a disjoint between long term transport planning and existing passenger rail information and constraints. Incentives for investment and maintenance of rolling stock and other assets by operators may be skewed, particularly where short term leases or operator contracts exist. Equally, further privatisation of urban rail operations may be able to drive efficiency gains and be more responsive to consumer demands.

4.2.3 Key points for consideration

Key issues

- Above rail competition and track access
- Appropriate level of privatisation/corporatisation
- Investment incentives
- Separation of ownership and operation
- Communication between operators
- Lease terms and lengths

Key Questions

What impact does the current industry structure have on productivity within the industry?

Should there be further privatisation/government involvement in the industry? If so, in what areas and why?

Are there significant barriers for new entrants within the rail industry and if so what are they (regulatory/economic)?

What impact do the existing access regimes have on above rail competition? Is there real above rail competition within Australian rail networks and where?

How is the relationship between freight and passenger rail managed? What incentives exist for operators to minimise their impact on other operators? Does the current structure create sufficient incentives to optimise existing network capacity?

Does the industry structure provide the correct information and incentives for long term investment decisions? What impact does the separation of roles in some areas (i.e. separation of ownership and operation of Melbourne's urban rail system) have on information flows and investment incentives?

4.3 Asset utilisation and management

Rail is a capital intensive industry involving costly assets with long useful life periods. As a result, the use and maintenance of existing assets and investment in future asset stock has a large impact on the productivity and viability of rail operations. To increase productivity, the rail sector needs to ensure that existing assets are used effectively, reducing the need for further capital outlays. Industry also needs to ensure that sufficient investment, development and deployment of new technologies and assets is achieved. Both passenger and freight rail can achieve substantial gains from investment in new systems and technologies and in some cases the development of national standards.

4.3.1 Freight

Improving the use, management and capability of assets used within the freight rail industry has the potential to drive large productivity gains. Cooperative Research Centres (CRC) for Rail Innovation currently conducts research into increasing the output available from the exiting assets, including corridor capacity studies, load space and axle loading, increasing train running speeds and asset monitoring and maintenance systems. These types of initiatives may also have applications within the passenger rail segments.

Key assets, for example maintenance facilities, could potentially be shared by competing operators. Further collaboration between rail operators could also help to reduce duplication of activities and reduce costs, with the development of national standards or industry wide approaches to technology development and/or deployment having the potential to assist collaboration within the industry.

4.3.2 Passenger

As capacity constraints increase in the passenger sector, effective asset utilisation and maintenance of assets will be increasingly important. Investment, maintenance and development of rail assets, therefore, need to be carried out in the context of a long run plan to meet customer demand. National approaches to investment in new technologies and assets may also reduce researching, implementation and maintenance costs.

4.3.3 Key points for consideration

Key Issues

- Asset management and maintenance practises
- Increased technical productivity e.g. higher axle loads
- Shared key assets and resources
- National standards and approaches
- Development and uptake of new technologies

Key Questions

Where are assets lacking proper maintenance and management? Why is this occurring?

What is the scope for industry participants to share key assets and resources? What are the impediments for achieving this (i.e. regulatory, geographical, market depth etc)?

In what areas would national standards benefit the purchase, development and maintenance of assets? What form should these standards take (regulation, voluntary industry codes)? What are the impediments to increased technical productivity? What benefits are available?

4.4 Rail network

Due to the capital intensive nature of rail, operators rely on economies of scale to achieve sufficient return on their assets. It is therefore important that the freight and passenger networks are configured to ensure there is sufficient capacity to meet future demand along key transport corridors. The development of much of Australia's current rail network commenced prior to Australia's federation, with much of today's network reflecting the transport needs of over 100 years ago. Substantial changes have occurred within Australia, shifting the location and importance of key economic and social centres. Network operators therefore need to evaluate the current and expected future demand for Australia's existing rail network to determine the optimal network structure going forward.

4.4.1 Freight

Grain lines in NSW and Victoria are operated for bulk transport of a single commodity. Deteriorating track conditions and the resulting decrease in reliability of train services are causing a shift to road transport in many areas. Reduced demand for services has the

impact of reducing the economic viability of the lines, while the impact of climate change and variable grain harvests have also increased the risks of further investment into these branch lines. The on-going viability of these lines needs to be evaluated to determine whether there is sufficient demand from single commodities or whether these lines can serve new markets.

The increasing non-bulk freight task will also place pressure on the existing freight rail network. To cope with the changing freight task rail providers need to ensure the network is developed and maintained according to expected future demand. This will involve evaluating the future freight task and determining which areas rail can gain a competitive advantage.

These challenges are heightened by the varying gauges across jurisdictions. Standardisation of gauges would reduce the costs of operating across state borders and encourage competition. The standardisation of gauges across states also has potential benefits for the use of above rail assets. Above rail operators may be more able to move rolling stock around the country to more effectively meet demand, improve competition and better utilise rail assets across a standardised network.

4.4.2 Passenger

Population growth in urban centres has put pressure on the existing urban passenger networks. In the major capital cities, there has been limited extension and expansion of metropolitan rail systems in the past 20-30 years. A notable exception is the Perth Metrorail urban network, which has undergone a massive expansion since 2002 with further expansions planned. As part of this project, nine new stations have been added as well as around 80km of new track and supporting infrastructure at a cost of around \$1.66 billion. Adelaide has also recently announced plans to conduct major improvements and extensions to its urban rail network.

Further extensions are also likely to be necessary in other major centres to ensure public transport services are available to growing outer suburban populations. Determining the location and scale of any extensions or upgrades raises a number of issues such as investment funding, social inclusion issues, transport pricing, land use planning and alternative transport modes available.

4.4.3 Key points for consideration

Key Issues

- Climate change and a changing economy
- Poor long term investment incentives
- Poor quality of existing assets
- Varying gauges across states
- Planning and land use issues

Key Questions

Where are rail services becoming economically unviable? What are the causes/effects of this change (insufficient track investment, slow run times, lack of reliability)? Can the traditional haulage task be substituted with other goods?

What scope is there to make rail freight more responsive to changing conditions?

Where would standardisation of rail gauges create productivity benefits? What benefits would this create?

Where is rail losing share to road transport? What are the drivers of this (lack of competitive neutrality/ lack of demand for services, poor quality service)?

Is there sufficient information about the future transport demand for passenger and freight services? Is this information being used to develop future rail networks in both urban and regional areas?

How is rail investment factored into land use planning? What could be done to improve this process?

4.5 Business and operational systems

Improvements in rail productivity through investment in new operational systems or the more effective use of current systems may be possible. Rail businesses operate within a challenging environment and need to be continually improving their operations and management of inputs to ensure that their business practices are not impeding productivity improvements. From a policy perspective, governments need to ensure that there are no regulatory barriers impeding movement toward more productive business practices.

Recruitment and retention of skilled staff is a key productivity issue for both passenger and freight rail. At present, most training within the industry is done on-the-job, with limited active recruitment of staff, particularly graduate or skilled staff, being undertaken. This has impacted on the ability of the industry to develop and adapt to new ideas and technology and is likely to become more of an issue as the rail workforce continues to age. The Australasian Railway Association (ARA) and Cooperative Research Centres (CRC) for Rail Innovation have begun to implement a number of training programs and courses, however, industry as a whole must ensure that it positions itself as an attractive industry for talented staff.

4.5.1 Freight

Harmonisation of standards, rail operating rules and systems across jurisdictions has been limited. The development of national model legislation for rail safety highlights the

difficulties in developing national standards as well as the potential benefits available. The work of the Rail Industry Safety and Standards Board (RISSB) will help to address these issues, however, full support from the rail industry and jurisdictions is needed to ensure real harmonisation occurs. Communication and signalling systems that improve the flow of information between track managers, above rail operators, terminal operators and customers can also help to improve, scheduling and maintenance obligations. However, coordination of rail participants is needed for this to occur.

4.5.2 Passenger

Investment in new signalling, timetabling and ticketing systems is needed to improve service standards within passenger rail. As the existing infrastructure reaches capacity, improved signalling and train control technology will be vital for operators wishing to increase services. These systems can also help operators better utilise rolling stock, which reduces the demand for investment in new assets. Passenger ticketing systems are well behind world standards. Improved ticketing systems can reduce fare evasion, improve public perception of passenger rail and provide strong information to operators regarding passenger movement. The introduction of these new technologies and systems at a national level can reduce implementation and maintenance costs and make employees more mobile across the rail sector.

4.5.3 Key points for consideration

Key Issues

- Uptake of new systems and technologies – nationally consistent approach
- More communication between above and below rail operators
- Improved timetabling systems
- Collaboration and consolidation
- Effective management of inputs
- Recruitment and training
- Project planning and delivery
- Productivity measurement and reporting

Key Questions

What barriers currently exist for the uptake and employment of improved operational systems and business practises? Are businesses actively seeking and evaluating new technologies and systems?

In what instances could national standards and approaches reduce costs and increase productivity?

Where could rail businesses more effectively collaborate and communicate to achieve gains? Are there any regulatory or institutional factors stopping this from occurring?

Are rail businesses able to recruit and train sufficiently qualified staff? What programs are in place to improve this process?

How effectively can rail businesses evaluate their own performance? Is the development of key performance indicators necessary? How could these be developed and who would be responsible?

4.6 Interaction of rail with other transport modes

As Australia's freight and passenger task increases, efficient linkages between transport modes will become more important to ensure an effective transport system. This will likely involve the development and expansion of intermodal transport hubs. Therefore, rail's ability to work with other transport modes and make effective use of intermodal hubs will have important consequences for the role of rail in Australia's transport system and for rail productivity generally. This reflects a move, both within Australia and globally, away from looking at transport issues from a modal point of view (i.e. rail, road, air, sea) to a more integrated approach.

4.6.1 Freight

Rail freight has traditionally been used to carry bulk freight, with a limited presence in the non-bulk freight market. However, as the non-bulk freight task is expected to grow strongly over the next decade, rail's ability to interact with other transport modes will be important in helping rail take a greater share of the transport task. Access to intermodal terminal space will be a key issue, with the location and set up of intermodal facilities likely to have a huge impact on the ability for rail to interact with other transport modes. This will necessitate the need for governments to ensure effective access arrangements at key intermodal terminals.

As the transport industry becomes less modal focussed, the rail industry needs to ensure that it can provide reliable services to customers to reduce potential bottlenecks within the supply chain and remain competitive. The increasing interaction of transport modes will also require clarification of the role and accountability of all operators within the chains.

4.6.2 Passenger

Rail makes up one part of an urban public transport system, with light rail, buses and ferries also providing passenger services. Effective coordination has the potential to improve passenger services and better utilise existing infrastructure, while also increasing access and reliability. The development of an integrated public transport system requires strong communication between participants and the development of effective intermodal passenger hubs. However, coordination is difficult and raises a number of challenges such as timetabling constraints, reliability of different modes, funding by mode and the development and planning of intermodal terminals.

4.6.3 Key points for consideration

Key Issues

- Improved communication and coordination with other modes
- Development and location of intermodal hubs
- Access and competition arrangements for intermodal terminals
- Accountability issues within the supply chain

Key Questions

How can the rail industry communicate and integrate more effectively with other transport modes?

What benefits could be gained from the development of a national framework for key intermodal infrastructure, e.g. national ports strategy?

Is there a need for further vertical integration within the transport industry? What could be done to achieve this?

What are the barriers for rail obtaining greater access to intermodal hubs? How can rail make better use of its intermodal facilities?

5. NEXT STEPS

The issues and questions presented in this paper will form the focus of the NTC's review with the aim of addressing rail productivity and providing a way forward for both government and industry. As part of the investigation, the NTC welcomes input from the rail industry, rail customers, government agencies and other interested parties regarding the issues discussed above and potential solutions to these issues. As such, submissions are being sought in response to this paper. Where possible, interested parties should include evidence or data to support their submission to ensure that the NTC can more effectively use submissions to inform the review. All submissions should be received by 18 September 2008. Depending on the depth of submissions received, the NTC may also carry out targeted consultation in response to this paper.

Input from industry and other stakeholders will be valuable as the NTC works on the development of a draft position statement on rail productivity. This will be released for comment in November 2008. A final position statement is expected to be released by March/April 2009. Further opportunities for stakeholder input will be provided throughout the review process. The NTC will be seeking submissions in response to the draft position statement released in November as well as ensuring opportunities for targeted consultation with key stakeholders are available.

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APPENDIX A – TERMS OF REFERENCE

Terms of Reference

Rail Productivity Review 2008

The NTC will be undertaking a review of rail productivity within the Australian rail sector. The review aims to identify impediments to increased rail productivity for both passenger and freight rail and mechanisms for overcoming these impediments, with particular emphasis on the appropriate role of government in addressing productivity concerns. The review will be completed and its findings released early in 2009.

In undertaking this review the NTC will:

1. Research and explore the current operation of freight and passenger rail in Australia.
2. Identify and analyse the issues impacting on rail productivity and their causes. This will include the impact of government policy and intervention, industry structure, asset utilisation and management, the rail network, business and operational systems and the interaction of rail with other modes.
3. Determine the appropriate role for government within the rail sector and establish the boundaries of responsibility for both industry and government in terms of providing rail services and infrastructure and addressing problems within the rail sector.
4. Identify and evaluate possible actions to address rail productivity, with primary focus on how government can effectively improve productivity in the rail sector.
5. Conduct extensive consultation with stakeholders, including rail industry operators, rail customers, government, unions and other interested parties. This will include stakeholder workshops, submissions from interested parties and targeted discussions with relevant stakeholders.
6. An Issues Paper will be released for comment shortly.
7. Release a Draft Position Paper in November 2008 for comment.
8. Release Final Position Paper in March/April 2009.