Date: June 2008
ISBN: 1 921168 87 0
Title: Rail Industry Productivity Review: An NTC Initiative
Address: National Transport Commission
Level 15/628 Bourke Street
MELBOURNE VIC 3000
E-mail: ntc@ntc.gov.au
Website: www.ntc.gov.au
Type of report: Information paper
Objectives: To inform stakeholders of the NTC’s planned review of rail productivity and response to the Hearsch Information Paper
NTC Programs: Productivity
Key Milestones: A policy statement detailing the productivity issues faced by rail in Australia and the recommended action for the NTC/government is expected to be released in early 2009.
Abstract: The NTC will be completing a review of rail productivity and the role of government in addressing any productivity issues. This comes in response to the National Transport Policy Framework and consultation with industry. The NTC commissioned Hearsch Consulting to complete an information paper on rail industry productivity. This raised some useful issues which will be explored further as part of the review. As part of the review the NTC will be undertaking extensive consultation with stakeholders.
Purpose: For information
Key words: Rail, productivity

Comments to be addressed to:
Chief Executive
National Transport Commission
L15/628 Bourke Street
MELBOURNE VIC 3000
FOREWORD

The National Transport Commission (NTC) is an independent body established under Commonwealth legislation and an inter-governmental agreement and funded jointly by the Commonwealth, states and territories. The NTC is responsible for developing, monitoring and maintaining uniform or nationally consistent regulatory and operational reforms relating to road, rail and intermodal transport in Australia.

In response to industry consultation, the NTC’s Strategic Plan 2006-07 to 2008-09 identified rail productivity as a key work area as part of the NTC’s Transport Efficiency objective, with a key outcome for the period being:

“the identification of the impediments to improved productivity in rail transport and progress towards removing these impediments”.

The NTC will therefore be completing a review into rail productivity in Australia. The review aims to develop a policy framework for rail productivity improvements in the future and establish what role government would play in implementing productivity initiatives.

To begin the review, the NTC commissioned John Hearsch Consulting Pty Ltd to produce an information paper on rail productivity. The Hearsch information paper was completed in March 2008 and highlighted a number of issues and options, encouraging the NTC to conduct further research into the area of rail productivity.

As part of the review process, a final policy statement detailing the productivity issues faced by rail in Australia and the recommended action for the NTC/government is expected to be released in early 2009. A full timetable for the review will be released to stakeholders in July.

The NTC intends to conduct formal consultation with industry and appoint a high level strategic advisory group to the project. The NTC also welcomes any comments or queries relating to the review.

Micheal Deegan
Chairman
National Transport Commission
CONTENTS

1. INTRODUCTION ........................................................................................................1

2. RECENT RAIL PRODUCTIVITY INFORMATION PAPER ..............................2
   2.1 Report by Hearsch Consulting Pty Ltd .................................................................2
       2.1.1 Background to the Hearsch report ...............................................................2
       2.1.2 Hearsch report recommendations .................................................................2
       2.1.3 Learnings from the Hearsch report ...............................................................3

3. NEXT STEPS FOR THE NATIONAL TRANSPORT COMMISSION ....5
   3.1 Rail productivity project ......................................................................................5
   3.2 Consultation with stakeholders .........................................................................5

4. CONCLUSION .........................................................................................................6

5. REFERENCES .........................................................................................................6
1. INTRODUCTION

In recent years productivity improvements within the rail industry have lagged behind those in other industries. Consultations with the rail industry have called for the government to take a more active role in setting directions for the industry and establishing where the productivity gains can be made.

In response the National Transport Commission (NTC) commissioned John Hearsch Consulting Pty Ltd to produce an information paper on rail productivity. This paper highlighted a number of issues and options, encouraging the NTC to conduct further research into the area of rail productivity. Further information on the Hearsch information paper and its recommendations are included in Section 2 of this report.

During this period the NTC prepared the National Transport Policy Framework for the Federal Transport Minister. This policy framework shifts the focus from single transport modes and stand-alone projects to transportation integrated with the global supply chain. The framework also acknowledges the importance of productivity in creating an efficient transportation marketplace, which further emphasises the importance of improving productivity within the rail sector.

As such, the NTC will complete a review of rail productivity in Australia. The intention of this review is to develop an understanding of the productivity gains possible in Australian rail and what role the government should play in implementing productivity improvements. Further information on the NTC’s planned review into rail productivity is included in Section 3 of this report.
2. RECENT RAIL PRODUCTIVITY INFORMATION PAPER

2.1 Information paper from Hearsch Consulting Pty Ltd

2.1.1 Background to the Hearsch paper

The National Transport Commission is required to prepare a three-year strategic plan and one year work program for approval by the Australian Transport Council (ATC), comprising Transport Ministers from the Commonwealth, states and territories.

In August 2007, the NTC released a discussion paper as part of the strategic planning process. In the discussion paper a special note was included at the end:

“Rail stakeholders are particularly encouraged to make suggestions for additional regulatory or operational reforms. … [The NTC] wishes to afford rail industry stakeholders every opportunity to make suggestions regarding how the rail industry can use the national reform process to address rail industry stakeholder objectives.”

A number of submissions on the discussion paper suggested potential rail productivity improvements but no clear role for the NTC. The tenor was that the NTC should commission or undertake an exploration of the opportunities to increase productivity in rail transport in Australia.

The consultant brief was framed to respond to two sets of questions:

- What are the opportunities to improve the productivity of rail transport in Australia? What are the impediments to potential productivity grains being realised?
- Where (if in any circumstances) can the NTC play a role in ensuring productivity gains are realised, i.e. is there a regulatory impediment that should be removed or a market failure that needs to be addressed via regulatory intervention? Is there a meaningful alternative role the NTC can play?

The study addressed the Australian freight and passenger rail sectors but did not extend to the intermodal interface. It did not examine issues/opportunities/constraints as they relate to other modes or infrastructure not directly related to rail activities.

John Hearsch Consulting Pty Ltd ("Hearsch") was commissioned to produce a paper on rail productivity. Hearsch developed the information paper in consultation with industry experts and rail industry operators.

In late January 2008, an expert workshop was convened as part of the project. The workshop discussed and prioritised issues, impediments, opportunities and solutions in relation to the industry environment, innovation and processes. A separate workshop was conducted with rail industry operators.

2.1.2 Hearsch information paper recommendations

The report concluded with three main recommendations for the rail industry and nine recommendations for government.
The industry recommendations are reproduced below:

1. Upgrade and improve business and operations systems.
2. Provide/develop more education and training to attract, retain and develop staff.
3. Develop/facilitate the development of a national policy for rail.

The suggested actions for governments are reproduced below:

1. Develop/facilitate the development of a national policy for rail.
2. Undertake an analytical research exercise to develop key productivity indicators and undertake measurement of such.
4. Undertake a study of potential government financial support processes for the private sector to facilitate rail freight initiatives that will improve rail productivity and create new business opportunities for rail freight.
5. Assist the Commonwealth in the preparation of guidelines for planning for improved urban public transport systems.
6. Provide advice to the Commonwealth in relation to the potential for improved labour productivity, especially on state-owned urban rail networks.
7. Lead provision of advice for elimination of multiple state-based rail safety jurisdictions and alignment of current multiple legislative requirements as the impetus for accelerated development of harmonised standards, operating rules and systems for rail, in association with the industry.
8. In association with the Cooperative Research Centre (CRC) for Rail Innovation, undertake detailed research on increasing axle loads and easing other infrastructure constraints.
9. Develop processes for achieving more efficient rail/terminal interfaces, together with a policy framework for future operation of dedicated rail container shuttles between ports and metropolitan hubs and land banking to protect future terminal and transport corridor needs.

Progress on a number of issues raised in these recommendations is already being made through the recently released National Transport Policy Framework. As part of this framework, the NTC is working on the development of a National Rail Safety Regulator and an investigation into supply chain efficiency. Longer-term projects identified in the plan also include programs to promote the training and development of transport workers and the development of a national framework for strategic transport terminals, including land-use planning and access arrangements.
2.1.3 Learnings from the Hearsch information paper

The Hearsch paper has provided a valuable beginning for the National Transport Commission’s investigation of rail productivity in Australia. As well as providing a basis for discussion, the report has also highlighted a number of areas that need further investigation during the NTC’s review. Some of these points are discussed below:

- The importance of a shared understanding of the history of Australian rail, Australia’s transport sector generally and the role rail plays within the sector, rail's inherent strengths and weaknesses, the Australian regulatory framework for rail and overseas rail experience and the extent of its applicability to Australia. The Hearsch information paper provides a comprehensive analysis of the socio-political environment in which railways in Australia exist.

- A clear view of what rail infrastructure, operating systems and operations should look like in order to maximise productivity for urban rail, interurban, intermodal freight, bulk freight and coal and minerals freight.

- Development of a transparent ranking system or prioritisation process for these items based on productivity gain, ease of implementation, costs and benefits, etc. needs to be developed to aid implementation.
3. NEXT STEPS FOR THE NATIONAL TRANSPORT COMMISSION

3.1 Rail productivity project

To build on the work done in the Hearsch paper, the NTC will undertake its own research into rail productivity within Australia, with a view to releasing a policy statement on rail productivity in early 2009. This review will aim to provide an analysis of productivity issues in rail and determine the appropriate role for the NTC/government in addressing these issues. In undertaking this work, the NTC will enhance the policy framework for rail, taking into account its interactions with other transport modes to help create a stronger transport network.

The NTC has recently increased its involvement in the rail industry with the development of a national standard for rail safety. This review will continue to increase the NTC’s knowledge and understanding of rail within Australia and its interactions with other transport modes. This knowledge will be necessary as we continue to support the ATC in their implementation of the recently released National Transport Policy Framework. This plan recognises the importance of productivity in creating an efficient transport marketplace that takes into account the transport sector as a whole. As such, this review will help to develop strong evidence-based policy with the aim of improving the productivity of rail use within Australia.

As part of this review the NTC expects to release a research paper on rail in Australia, with an issues paper highlighting productivity issues also to be released during the review. Throughout this period the NTC will be seeking input from industry regarding productivity issues in the rail sector.

A final policy statement detailing the productivity issues faced by rail in Australia and the recommended action for the NTC/government is expected to be released in early 2009. A full timetable of the review will be released to stakeholders in July.

3.2 Consultation with stakeholders

Throughout the review period, the NTC will be engaging with stakeholders to gain valuable feedback and information regarding rail operations within Australia. The NTC also expects to appoint a high level strategic advisory group to ensure a strong contribution from industry throughout the process and provide feedback on the issues presented.

As well as an advisory group, formal consultation with key industry players and stakeholders will be conducted at various stages throughout the review. Submissions from industry and other interested parties will also be accepted as input into the productivity review. An exact timetable for consultations is yet to be developed; however, as part of the consultation process the NTC intends to regularly update stakeholders as to the progress of the review and the timing of outputs and consultations.
4. CONCLUSION

The rail industry has a significant role in Australia’s transport network. It is therefore important to develop an understanding of the future role of rail within Australia and increase productivity within the industry. As such, the NTC’s planned review into rail productivity will help to understand the issues faced by the industry, with the Hearsch paper providing a strong base for further analysis into rail productivity. However, further work needs to be done to develop a strong evidence based policy position that is in line with the position set forward in the National Transport Policy Framework.

The NTC expects to have a strong involvement with industry groups throughout the review process and further information on the timing of project outputs will be communicated to stakeholders in July.

5. REFERENCES
