

FREIGHT ON RAIL GROUP

Submission to

**National Transport Commission Discussion Paper
“Assessing the Effectiveness of the PBS Scheme”**

October 2017



This document has been prepared by the Freight on Rail Group (the Group). The Group is a rail freight focussed industry group established to engage with Government and key stakeholders on major public policy issues. It consists of the seven major rail freight businesses in Australia:

Aurizon

Aurizon has rail and road-based freight and infrastructure operations across Australia. Aurizon operates above-rail freight services from Cairns through to Perth, and manages the Central Queensland Coal Network made up of approximately 2,670km of heavy haul rail infrastructure.



Australian Rail Track Corporation (ARTC)

ARTC has responsibility for the management of over 8,500 route kilometres of standard gauge interstate track across Australia. ARTC also manages the Hunter Valley coal rail network, and other regional rail links.



Arc Infrastructure

Arc Infrastructure manages and operates a 5,500 kilometre open access, multi-user rail freight network extending throughout the southern half of Western Australia, providing access for intermodal, iron ore, grain, alumina and various other bulk commodities.



Genesee & Wyoming

G&W is a global vertically integrated rail freight company with a large Australian presence in SA, NT, Victoria and NSW. G&W owns nearly 5,000 kilometres of track in SA and NT, including the 2,200-km Tarcoola-to-Darwin railway.



Pacific National

Pacific National is one of the largest providers of rail freight services in Australia, providing intermodal, coal and bulk rail haulage services throughout Australia.



Qube

Qube is Australia's largest integrated provider of import and export logistics services. It offers a broad range of logistics services with a national footprint and a primary focus on markets involved in international trade in both the bulk and container markets.



SCT Logistics

SCT is a national, multi-modal transport and logistics company. It operates its own intermodal rail services from the eastern States to Perth,



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Background

The Freight on Rail Group (FORG) welcomes the opportunity to make this submission to the National Transport Commission (NTC) in relation to the NTC August 2017 Discussion Paper “Assessing the Effectiveness of the PBS Scheme” (the Discussion Paper).

FORG is a rail freight industry group and consists of the seven major freight rail businesses in Australia¹.

FORG understands that the Performance Based Standards (PBS) scheme is a performance based regulatory system applied to heavy vehicles rather than the traditional regulatory system which applies mass and dimension limits to heavy vehicles. The PBS system is facilitating an increase in mass and length of heavy vehicles beyond standard vehicle combinations.

FORG Position

FORG understands that the rationale for using PBS vehicles is the benefit which arises from having fewer road freight vehicles to perform the same freight task. Given the implicit assumption that a reduction in road transport vehicle numbers is beneficial there should be a broader policy assessment as to whether road transport can be shifted to other freight transport modes. (FORG recognises that this issue is outside the scope of the current NTC regulatory process). Furthermore, this assessment should consider transport policy objectives, including the objective of increasing the utilisation of rail freight, and whether any extension of the PBS scheme would be consistent with policy objectives.

More broadly FORG is concerned that if the PBS scheme is extended without consideration of its impacts in the context of broader policy objectives, then volume will shift from rail freight to road freight ultimately resulting in more road freight vehicles on the road.

FORG is concerned that continuing to expand the PBS impacts on competitive neutrality across land transport modes.

FORG supports competitive neutrality across freight transport modes and believes that competitive neutrality is best achieved through developing similar regulatory frameworks for freight transport modes. This will ensure that one freight transport mode is not artificially favoured over another. Diverging regulatory environments for different transport modes will result in sub-optimal economic outcomes over the longer term.

FORG is concerned that the ongoing relaxation of the road freight regulatory system impacts on the competitive neutrality of land transport modes as similar regulatory relaxation is not occurring in the rail freight industry.

FORG believes that road freight should be subject to similar regulations to rail freight in relation to numerous matters including:

- Pricing of transport infrastructure;
- Regulation of transport vehicles including the safety regulation of these vehicles;

¹ These businesses are Arc Infrastructure, Aurizon, Australian Rail Track Corporation, Genesee and Wyoming, Pacific National, Qube and SCT Logistics.

- Regulation of transport workers – there are different approaches between the transport modes in regard to testing for medical fitness and hours of work; and
- Regulation of the requirement to report risks and hazards – there are different approaches between the industries in regard to reporting incidents and near incidents.

Pricing of Transport Infrastructure

FORG is particularly concerned that the potential broadening of the PBS is taking place in an environment where the costs incurred by heavy vehicles (including PBS vehicles) are not appropriately recovered by the current heavy vehicle road access pricing framework².

FORG believes that the combination of heavy vehicle road access pricing which is not cost-reflective and the broadening the PBS at this time may encourage larger vehicles on the nation's road infrastructure based on inefficient infrastructure pricing signals.

FORG believes that any broadening of the PBS should be undertaken in conjunction with a move towards more cost reflective heavy vehicle road access pricing. FORG notes that the Commonwealth Government is currently working towards reform of heavy vehicle road access pricing.

Regulation of Operations and Safety

Rail freight is a safe freight transport mode with few fatalities whereas road freight is a higher risk transport mode.

Rail freight operators are accredited by a national regulator prior to operating freight rail services on routes on the closed rail network. The accreditation assesses both the capability and condition of the rail freight equipment to be utilised and the capability and knowledge of the rail freight workers. In addition all rail freight operators are required to have a Rail Safety Management System that addresses safe operations, interfaces between industry participants, risk factors and risk reduction.

Road freight operators are currently not required to be accredited to the same degree as rail operators despite the fact that they operate on multi-user road networks with major risks from passenger vehicle traffic.

The move to potentially broaden the PBS may improve safety when compared with non-PBS road freight options, but any move to broaden the PBS should also take into account that freight may shift from rail freight to PBS road freight which will result in reduced safety outcomes.

FORG believes that any move to broaden the PBS should also include increased safety measures including regulatory approval, capability assessment and safety accreditation of PBS road vehicles, operators and drivers and improved maintenance regimes.

In addition FORG believes that there is merit in considering whether these increased safety measures should be rolled out across the road freight industry (not just PBS vehicles and operators) in order to address road safety concerns.

² As the NTC is aware numerous Productivity Commission and Infrastructure Australia reports as well as the Harper Competition Policy Review have concluded that road pricing arrangements for heavy vehicles are in need of reform.

Conclusion

The rail freight industry is generally supportive of reform which increases supply chain efficiency and productivity; however any such reform should be undertaken in such a way that it does not negatively impact on the competitive neutrality between different freight transport modes.

Given the position above, FORG is concerned that the potential broadening of the PBS will further act against the competitive neutrality between the road freight and rail freight industries. FORG believes that in order for competitive neutrality to be maintained:

- any broadening of the PBS should be undertaken in conjunction with a move towards more cost reflective heavy vehicle road access pricing; and
- similar safety and operational regulations and frameworks should be applied across different freight transport modes.

FORG is concerned that if the PBS scheme is broadened then volume may shift from rail freight to road freight ultimately resulting in more road freight vehicles on the road with negative consequences for safety outcomes.

RAIL CROSSING
CROSSWAY

STOP

LOOK
FOR
TRAINS

