Inquiry into Progress in Rail Reform

PATRICK THE AUSTRALIAN STEVEDORE
GPO BOX 3918, SYDNEY 2001
LEVEL 8, 309 KENT STREET,
SYDNEY, NSW 2000
PHONE (02) 9290 9112 FAX (02) 9299 2120
PATRICK STEVEDORES HOLDINGS PTY LTD ACN 060 462 919
PATRICK RAIL OPERATIONS PTY LTD ACN 072 506 891

October 9, 1998.

Ms. Carole Trenberth
Progress in Rail Reform
Productivity Commission
Locked Bag 2,
Collins Street East Post Office
MELBOURNE, VIC 8003
Fax 03 9653 2302

Dear Ms. Trenberth,

RE : Progress in Rail Reform.

With reference to the Scope of the Inquiry, and further to Dr John Salerian's letter to Maurice James, Patrick Stevedores, dated 11 September, attached is a report on Patrick's views on Progress in Rail Reform and also a copy of our submission to the recent Inquiry into the role of Rail in the National Transport Network.

Thank you for the opportunity to provide this submission to the Inquiry and if further information is required, please do not hesitate to call.

Yours Sincerely

Gary Camp
General Manager Rail.

PATRICK STEVEDORES

The submission made by Patrick to the Parliamentary Inquiry into The Role of Rail in the National Transport Network, contains a significant amount of information addressing the issues of the Productivity Commission's Inquiry. A copy of that submission is attached. This submission will focus more specifically on the issues relevant to establishing a new rail service in the current rail environment, the problems of operating 'On Dock" rail terminals, the hurdles to be overcome and views on improvements to rail productivity and competition.

PATRICK RAIL

Patrick Stevedores identified a need for improved landbridging services for the shipping industry on the Melbourne to Adelaide corridor several years ago. With the advent of the Hilmer Report and changes to the rail legislation, federally and in Victoria and South Australia, an opportunity was created for private rail operators to enter the rail network in competition with the government railways. Patrick Stevedores determined that under the new competition regime it could be possible to provide an integrated landbridge via rail on the Melbourne to Adelaide corridor. The issues to be addressed prior to the commencement of the service in May 1997 were as follows :

1. Form a company for the venture

2. Accreditation as an operator in Victoria

3. Approval to operate in South Australia

4. Obtain train paths in Victoria

5. Obtain compatible train paths in South Australia

6. Negotiate locomotive supply including crewing, fueling and maintenance

7. Negotiate wagon supply including maintenance

8. Approval to connect to the main line in Melbourne

9. Approval to construct track on Melbourne Port Corporation land

10. Funding and construction of trackwork and rail terminal in Melbourne

11. Rail terminal in Adelaide

12. Attract shipping business

Experiences relevant to this inquiry are as follows :

ACCREDITATION

Rail Safety Accreditation is controlled on a state by state basis by the local Department of Transport. There is a degree of coordination between the states although legislation in each state imposes different requirements and was introduced at different times. This required Patrick to negotiate primarily with the Victorian Department of Infrastructure as its legislation was already enacted. The accreditation process took two years, with a number of audits of Patrick over time to ensure compliance with the Departments requirements and ASA 4292. Patrick was granted an interim accreditation the day prior to commencement of operations in May 1997. Patrick has recently received notification that it is now fully accredited but has yet to receive a certificate. South Australia was still finalising its legislation at the time and was prepared to recognise the Victorian accreditation, provided its reporting regimes were adhered to. We are still to receive advice from South Australia regarding acceptance of our request for recognition as an accredited operator.

Our view on this process is that, despite the reasonable approach by the various states, there is a need for rail safety to be controlled by one entity to ensure uniformity of safety standards and application across the nation. Trains do not operate in only one state, hence the need to have one accreditation authority applying uniform standards. Compliance with accreditation should then be audited by the Rail Operator using internal and external audits in a similar vein to Quality Standards and Occupational Health and Safety. This enables the Rail Operator to conduct complete audits in an economical but efficient and effective manner whilst complying with the requirements of legislation.

RAIL ACCESS

Negotiation of train paths and rail access was a difficult exercise during 1996/97 due to the changing structure of state railways at that time. Four key issues emerged during this process:

1. Train Paths - existing government rail operators obviously occupied the best train paths, leaving paths that were slow, (long transit time) and sub-optimum in departure and arrival times.

2. Infrastructure - poor quality of track in Victoria reduced the train speeds over lengthy sections and reduced the payload capacity of the train. Insufficient crossing loops restricted the ability of the network to advance trains to improve transit times.

3. Access Fees - different rating structures in Victoria and South Australia, with separate invoicing increased the cost of administration. Also, the high flagfall component created financial difficulties for a “start up” operation. A new Rail Operator starting from a zero, (or near zero), base would obviously face substantial losses during start up until the business grew to a break even level. This could prove prohibitive for niche market operators.

4. Contracts - the need to negotiate two separate contracts for track access with Victoria and South Australia was costly in time and legal costs, whist trying to ensure the two sets of contractual conditions did not leave the Rail Operator with a legal void at the state border.

The subsequent advent of the Australian Rail Track Corporation, ARTC, has addressed items 3 and 4, although we are yet to finalise on a new agreement, which will again cause legal costs. The change in the access fee structure will provide a single rate for a corridor, (for a train type), but the question of "grandfather paths" and auctioning of lapsed and desirable train paths is still under discussion. Also, the question of value equivalence for different train paths in desirable time slots and with shorter transit times is still unresolved.

The ARTC has indicated that it is addressing the issues of Train Paths and Infrastructure but is constrained by the allocation of funds to sufficiently improve the rail network to provide more and better train paths. Whilst the matter of adequate funding for rail infrastructure improvement has always been debated and has been the subject of a number of reports, the Government still provides insufficient funds for rail compared to road. The current federal allocation of $250 million over four years for the rail network nationally, is far short of the amounts detailed in the Maunsell Report and the recent Parliamentary Report on the Role of Rail and is certainly well short of the amounts allocated for roads. For Patrick, improvement to the Melbourne to Adelaide rail corridor is paramount in order to better compete with road.

ROLLING STOCK

Provision of rolling stock is a commercial arrangement and was subject to exhaustive negotiations to ensure the best result in relation to type and quality of equipment at the best rate. The process did, however, raise a number of issues particularly relating to availability of locomotives and wagons in Australia.

As National Rail had been established by Government to conduct all interstate rail business, it was allocated the locomotives and wagons from state railways for the operation. Private Rail Operators planning to start a new interstate rail operation have to try to find suitable rolling stock. As National Rail has the interstate rail fleets in its possession and refuses to lease this equipment to private rail operators, we were left with no alternative but to lease older, less efficient rolling stock from state railways. Whilst understanding the commercial imperatives on National Rail, it is seen by the rail industry that the hoarding of surplus rolling stock, (a great number mothballed and even stacked off rail), is counter productive to the national interest in utilising rail resources more efficiently and assisting to transfer long distance freight from road to rail.

This induced shortage of rolling stock also forces private operators to look at importing refurbished wagons from overseas, with concurrent increase to the overseas debt. The question of surplus rolling stock being mothballed, rather than leased to other operators, has been canvassed by Private Rail Operators at all levels of Government with no success. This is surely inhibiting rail productivity.

RAIL TERMINALS

Patrick Stevedores operates its own "On Dock" rail terminals in Sydney at Port Botany and Melbourne at East Swanson Dock. Patrick has invested in both rail terminals to provide a rail access to the ports. With the resurgence of rail, current operators and new operators are keen to take advantage of these facilities. Patrick has to ensure that the efficiency of its operation can meet the expected growth in rail demand.

Melbourne, East Swanson Dock

Patrick has invested several million dollars in the rail terminal and connections to the main line in order to provide a modern "On Dock" Rail Terminal with dual gauge access. Issues for a private rail operator in establishing its own terminal were as follows :

1. Funding assistance for connection of standard gauge to the mainline has not been forthcoming from the Government.

2. Questions of ownership of trackwork at the mainline connection delayed construction for several months.

3. Use of external rail sidings by other Rail Operators may impact on the operation of the "On Dock" Rail Terminal.

4. Construction of the Docklands road may inhibit future expansion of trackwork to the port.

Development around the port areas in regard to rail access seem to be ad hoc, with no master plan for the future. This leaves private Rail Operators with an uncertain future and raises questions over future track capacity and hence ability to cope with growth in rail business.

Sydney, Port Botany

Patrick has improved operations at this "On Dock" Rail Terminal over the last two years and rail volumes have doubled to 50,000 containers per year. In the same time the number of trains handled has increased from two per day to six per day. To handle this volume Patrick has introduced time slotting, (windows), for trains and is entering performance agreements to ensure trains arrive and depart on time. Patrick is investing capital in the conversion of the ship terminal operation from rubber tyred gantries to straddle carriers, with the project about 75% complete.

Problems similar to Melbourne have been encountered with the Port Botany "On Dock" Rail Terminal in relation to coordination with Rail Operators, future growth creating the potential for rail access delays to the port, (single track through Foreshore Drive overbridge), lack of master plan for rail access to the port.

PRODUCTIVITY ISSUES

As a relative newcomer to the Rail Industry, Patrick Rail has had to start from a zero base and negotiate its way through a myriad of Government Departments, Government Corporations

and Private Companies to initiate and implement its own rail service between Melbourne and Adelaide.

The service has now been operating for 18 months as a rail landbridge for the shipping industry. During that time train size has increased from the initial concept of a unit 25 wagon train three days per week to a 40 wagon train with additional services as required. In excess of 2000 road truck journeys have been converted to the Patrick Train, reducing wear and tear on the Adelaide Highway.

We can now deal with one track access provider in the form of ARTC, except on the East Coast where the Rail Access Corporation and Queensland Rail still hold power. The ARTC needs to be given control of the complete interstate rail network from Brisbane to Perth. The effectiveness of ARTC will only be known over the next few years and will bear close monitoring.

Accreditation and safety are still under state control but need to be brought under the control of one entity.

Sales of Government Railways are providing opportunities for Private Rail Operators to invest in the rail industry and bring new efficiencies and commercial imperatives to rail operations. There is a state of uncertainty until the sales processes are complete and new owners indicate the direction they plan for their railway.

Private Rail Operators face competition with road operators on a field tilted in favour of road and at the same time are competing against other Government rail operators who have equipment and train path advantages. Sale of Government Railways may rationalise the rail part of the equation. The inequality with road is more difficult to address and requires a concerted effort by the Federal and State Governments to elevate the importance/funding of rail in the land transport chain. Diesel fuel excise should be eliminated from rail operations.

Competition between Rail Operators will lead to further improvements in rail efficiency, but will not be optimised until the Infrastructure is brought up to a minimum standard for effective operation of interstate trains. This requires major investment in trackwork, signalling and communications to eliminate the different standards between states, and to raise the quality of tracks to allow high speed transits commensurate with road times.

I trust this submission has addressed some of the issues of concern to the Productivity Commission and we would welcome the opportunity to meet the members of the Inquiry to discuss these matters.

Yours Sincerely

Gary Camp
General Manager Rail

PATRICK THE AUSTRALIAN STEVEDORE
GPO BOX 3918, SYDNEY 2001
LEVEL 8, 309 KENT STREET,
SYDNEY, NSW 2000
PHONE (02) 9290 9112 FAX (02) 9299 2120
PATRICK STEVEDORES HOLDINGS PTY LTD ACN 060 462 919
PATRICK RAIL OPERATIONS PTY LTD ACN 072506 891

October 2, 1997.

Mz. Meg Crooks
Committee Secretary
House of Representatives Standing Committee on
Communications, Transport and Microeconomic Reform
Parliament House
CANBERRA ACT 2600
Fax 02 62774601

Dear Mz. Crooks,

With reference to your letter dated 13 August, we are pleased to submit the following comments in relation to the five issues contained in the Terms of Reference for the Inquiry into the Role of Rail in the National Transport Network. Patrick Rail Operations is a new player in the rail transport industry, with introduction of rail services between Melbourne and Adelaide in April 1997. Patrick has, however, operated "on dock" rail terminals in Brisbane, Fremantle, Melbourne and Sydney for a number of years and the latter two are still in operation by Patrick.

Patrick's submission is confined to those areas of direct knowledge or impact on the Patrick Rail and Stevedoring operations. The following is an extract from a prior letter by Patrick to the Commonwealth Department of Transport and Regional Development in relation to questions raised about the issues and actions necessary to improve rail operations in Australia:

"Actions Required

a) Short Term - in order to achieve objectives by corridor, specific projects, commencing with those that provide the best value for money and the quickest result, should be actioned first. On the corridor in which Patrick operates, Melbourne to Adelaide, there are some projects which could be implemented and would generate immediate improvements. They are :

1. Recast timetables to reduce transit times.
2. Track upgrading to remove speed and load restrictions.
3. Additional and lengthened crossing loops to reduce section running times.
4. Adopt one system for monitoring the corridors train control, eg RAMS.
5. Adopt one radio system on the corridor.
6. Transfer Dynon and Islington to contract operation for all users on a fee basis.

b) Long Term - to achieve longer term goals requires implementation of a programme, with funding, to identify and eliminate all track sections that would perform below the criteria

specified. This is a 10 to 15 year programme that should be treated as an essential infrastructure development in the interest of Australia.

Immediate Actions.

Introduction of harmony to the operating environment can be facilitated immediately by eliminating the state boundary and state control issues. These are the most significant barriers to interstate train operation.

Establish a National Track Authority/Company.
Rationalise rates to provide a corridor charge.
One invoice for a corridor, point to point transit, instead of the two, three or four, that some operators receive, would be an immediate improvement.
Accreditation and Rail Safety should be Federal rather than state managed to ensure uniformity and remove state differences.
Train control should be changed to a corridor basis rather than state basis.
Agree to standardise on one of the existing radio systems.
Agree to standardise on one of the monitoring systems.

These are a few of the key items from our perspective and although not exhaustive provide an idea of the issues to be addressed. If further information is required we are only too pleased to assist."

The above and previous submissions to the Commonwealth Department of Transport and Regional Development have been considered and actions taken by the various Transport Ministers in a Heads of Agreement on the 10 September, which addresses, to some degree, the same questions posed in this Inquiry. Even so, this Inquiry does address an increased number of issues over a broader spectrum. Where possible Patrick has provided comment in the attached submission. Key points are :

1. There is an immediate need to establish a National Track Authority/Company to action the current anomolies and problems in the track access area.
2. Track Access rates must be reviewed and applied uniformly and transparently to all users. "Fixed Cost" or "Annual Fee" components constitute significant costs to the new operator and can be a barrier to entry.
3. Track access to Fremantle Port must be retained in order to provide current and future rail entry to the Port, consistent with other major Ports.
4. Immediate actions listed above.

Thank you for the opportunity to provide input to this important inquiry and should you require further information, please do not hesitate to call.

Yours Sincerely

Gary Camp
General Manager Rail

Submission by Patrick Rail Operations Pty Ltd

1. Effective and efficient use of rail

(a) Responsibility for the administration and operation of interstate rail networks

The existing control of interstate networks by each State Authority provides too many areas of difference between states in operations, monitoring and systems. The Commonwealth should set up a single authority, or possibly a company with a 5 year sunset clause, to take over control of the interstate network with responsibility and the resources to introduce dramatic changes to the operation and management of the network. Funding for maintenance, upgrading and expansion of the network from Commonwealth, State and Private sources should be managed by the Authority/Company to maximise the usefulness to the rail operators and maximise the return on investment.

The network itself should comprise all interstate mainline track on the following corridors :

a) Perth/Fremantle to Brisbane via Broken Hill and Sydney
b) Perth/Fremantle to Sydney via Broken Hill and Cootamundra
c) Perth/Fremantle to Melbourne via Adelaide
d) Melbourne to Brisbane via Sydney
e) Brisbane to Adelaide via Sydney and Broken Hill
f) Brisbane to Adelaide via Sydney and Melbourne
g) Tarcoola to Alice Springs (and eventually Darwin)
h) Goulburn to Canberra
i) Common user rail terminals in each capital city and associated freight yards
j) Access tracks to port facilities in each capital city

The corridors include the intermediate city journeys eg Sydney to Melbourne, etc. Rail Terminals for interstate trains, (Acacia Ridge, Chullora, Dynon, Islington, Kewdale), should become common user, under the control of the Track Access body and run by contract. National Rail should not have exclusive use of these facilities.

(b) Responsibility for the administration and operation of intrastate rail networks

Intrastate lines should initially remain with the State Authorities, but with common agreed guidelines for access and pricing. In the longer term, when the National Authority has been fully established and taken full control of the interstate network, the National Authority could be expanded to control or guide the State Authorities. This would lead to a system that would need to clearly define ownership, responsibilities and control for each section of track as the rail network would then be similar to the road network in ownership and control ie National corridor, State tracks and local/private lines.

(c) Duplication of responsibility in the various arrangements adopted by governments for the administration and operation of rail networks.

Duplication exists on all interstate corridors as there are two separate organisations controlling and administering the operation of each service as it crosses borders. An example of this duplication and incompatibility is demonstrated in the operational control and monitoring systems for a trip from Melbourne to Adelaide whereby Victoria uses a system called ROSCO and South Australia uses RAMS. Both systems are different but intended to perform similar

functions. This creates problems and duplication for the rail operator who is required to advise both systems and obtain feedback from both systems via different media.

(d) Implications of the Commonwealth Government withdrawing from its existing role in rail.

As Australian National has now been sold and equity in National Rail is to be sold in 1998, the issue now turns on the involvement and control of infrastructure. In this area, formation of the single control Authority/Company will address these issues, leaving the Commonwealth Government to provide funds on an equitable basis with other transport modes.

(e) Separation of rail operations into discrete entities.

Above rail operations will increasingly be owned and operated by private Companies, but the network control of train paths must remain with a central Authority. Again the distinction between interstate and intrastate needs to apply but point to point corridors could be controlled by discrete entities under the control of the National Authority. Each local network would be controlled by its own discrete entity. The interfaces between the local, intrastate and interstate control groups need to be defined and rationalised to ensure there is no duplication of functions or documentation requirements eg Adelaide to Melbourne corridor could be controlled by one entity based in either Adelaide or Melbourne controlling the operation over the total corridor. Any common user tracks with the Met or TransAdelaide would be coordinated with local train controllers.

(f) Government maintenance or acquisition of transport corridors, particularly in urban areas, where land asset values may be high.

The government should retain its legislated ability to acquire land.

(g) Government investment in rail infrastructure and decision making level of government.

The Commonwealth and State governments should continue to invest in rail infrastructure on an equitable level with other transport modes.

(h) How should investment in rail infrastructure be funded?

No comment.

(i) What pricing mechanisms should be considered for adoption to provide revenue for rail services.

Market forces will determine the pricing for revenue on freight services by competition between rail operators and other modes of transport. Passenger rail services are not commented on.

(j) Are definitions of rail transport community service obligations (CSO) appropriate to todays circumstances?

This relates to passenger trains. There should be no CSO for freight services.

(k) How should CSOs be financed?

No comment.

(l) What should be taken into account in assessing the total contribution from all sources for rail and road?

No comment.

(m) Is the rail industry quick to adopt process innovations?

The rail industry is becoming more attuned to innovative approaches but in the past has been slow to recognise and even slower to take up process innovations. The changing climate over the last few years has brought a more commercial approach to the industry and with it a quest for innovative processes. The chances are that with privatisation of several of the previous government railways there will be quicker acceptance of process innovation in the future.

(n) Is the rail industry quick to adopt technological innovations?

As above, although there have been some areas where Australia has been at the forefront of technological innovation. The primary area being heavy haul rail such as the private ore railways of Western Australia and coal haulage in Queensland. Again, with privatisation, technological innovation will be sought to give competitors the commercial edge.

(o) What drives innovation in the rail industry?

As above, privatisation and commercialism.

(p) What impedes innovation in the rail industry?

Historically, bureaucracy, unions and lack of competition on rail have impeded innovation in the rail industry. The current climate of change will assist in the process of looking for innovative solutions to rail issues and seeking to gain commercial advantage by being one step ahead.

(q) Does the rail industry direct sufficient investment toward innovation?

No comment.

(r) What factors influence the speed with which innovations are adopted in rail?

No comment.

(s) Is there a role for government in facilitating the uptake of innovations in rail? If so, should this role change with increasing private sector participation in rail?

Most innovations to date, although slow in coming, have been achieved through the programmes in government railways in liaison with private industry suppliers. With

privatisation there may not be the funding to continue with leading edge research and development. Instead private industry may be quicker to take up overseas technology or innovations privately developed. There is a role for governments to foster innovation through organisations such as the Australian Railway Association and the Australian Railway Industry Council, both of which could do more in this area if provided additional funding.

(t) Should there be more information available for owners, administrators and operators of rail infrastructure to make informed decisions? If so, what information is needed and how should the process of information dissemination be managed and funded.

Obviously yes, but beyond the scope of Patrick to provide advice on what and how.

(u) Is it possible to implement a strategy that will more effectively integrate rail networks with other modes of transport at a national level? Would such a strategy operate more effectively at a regional level, such as a transport network feeding a city or port area?

If the road and rail modes are placed on an even footing then commercial forces will drive the integration that has already commenced. Rail is obviously better suited for long distance line haul of large volumes, with local delivery and distribution by road. However, in certain circumstances short line haul by rail is feasible and desirable, eg large volumes to ports such as coal and containers. Government needs to assist, guide and facilitate this process, ensuring that developments fit with long term government developments. This does require strategic direction by the government in broad transport and infrastructure development.

(v) Can rail links to road and sea transport be improved?

Fremantle port rail access is due to be cut off by the development of housing in the area. At this stage it appears uncertain if a new rail connection will be provided to the port rail sidings. If this rail linkage is removed, Fremantle will be the only major city port without direct access by rail. With the changes in the rail industry it is possible that direct access by rail will become a growing need in the future. It is suggested that the rail linkage to Fremantle Port must be retained in order to provide future flexibility and growth potential.

Other port areas are well serviced at this point and developments in the rail industry should ensure that infrastructure and operational services keep pace with growth.

(w) Should a national rail transport body administer and coordinate the rail network?

Yes, as per (a) above. The network authority/company will be required to provide a range of services at a level consistent with rates, transit times and quality of ride competitive with road.

Train paths are a critical factor in the provision of track access service. They are a scarce commodity, on most corridors, in regard to departure times, arrival times and transit times. Existing timetables favour the established rail operators with multiple train paths at times that suit their business and with preferential transits that minimise the number of crossing delays. New operators are left with train paths that do not meet their commercial or operational needs but still cost the same, or possibly more, than the major operators. This places the new entrant at a disadvantage against existing rail operators and road operators.

There is a real need to rationalise the train paths to provide a level playing field between the rail operators. Obviously, there are some train paths that are optimal for a particular business, such as overnight transit between capital cities and this is usually in a very narrow time band. These should be considered premium paths for high speed trains and should be allocated in a fair and equitable manner.

The quality of the infrastructure is also critical in the worth of the service being provided by Track Access. As interstate corridors have some amount of single track, the number, length and position of crossing loops is fundamental to providing flexible train paths. Melbourne to Adelaide is at saturation point with the current train paths, caused mainly due to insufficient crossing loops.

The track condition is also a key factor, as there are large sections of track that can not accept the top speed of high speed trains. These substandard track sections reduce the ability of Track Access to maximise the efficiency of train paths. This causes sub optimal transits and increases the cost to the rail operator in fuel and crews. Low speed sections must be upgraded by the track authority/company to provide a uniform track condition. This includes substandard track condition and substandard alignment and grades.

Information systems must be standardised, must provide real time information concerning train running and must be accessible to the rail operators. Currently, a number of different systems are used in different states. Track Access must quickly decide on a single system and ensure that the system provides the operational and commercial requirements for both the track authority/company and the rail operator.

Documentation of agreements should be standardised to incorporate uniform requirements for all rail operators. The agreements need to address the levels of performance of both parties, not just the operator. The issues of termination, insurance and cost retrieval need to be reviewed and brought up to commercial levels. Requests for train paths and negotiations for agreements should be given time frames and standard procedures and documentation introduced to facilitate this process.

Rates should be struck for each corridor to encourage equal competition with road. Rates should be published and held for a minimum 12 month period. The current practice in some states, of negotiating with individual operators on the annual fee and/or the usage fee, provides an area of uncertainty for rail operators regarding the equity of the result. Large annual fees on some track sections create barriers to entry for new operators. The rates and fees must be uniform, transparent and reflect the quality of train path provided.

State boundary issues must be eliminated with the new track authority/company.
(x) Should a government sponsored, national rail transport body be formed to improve the efficiency of rail, possibly similar to the National Road Transport Commission? If such a body is required, should it be funded and operated by the public sector, the private sector or both?

Refer to item (s) above. Existing rail associated organisations would benefit from additional funding from the government without the need for an additional agency or body to be set up by the government.
(y) Are environmental considerations important? If so, should these considerations form part of a national strategy for rail?

No comment.

(z) Would the rail industry be better served through increased involvement from state and territory governments?

It is considered that privatisation of rail operations and equity in funding between road and rail will generate the improvements in rail, with governments providing assistance of an equal nature between road and rail to existing organisations.

(aa) What mechanisms are used in the rail industry to support safety standards? Are these mechanisms effective?

Accreditation, the Occupational Health and Safety Act, Dangerous Goods Act, other legislation and private company safety policies provide the mechanisms for safety in the rail industry. Using these as a framework, with the Department of Transport, Safety Sections, the main requirement is to provide uniformity between states. Currently liaison between the state organisations has been very good, but could possibly improve if the various state bodies were coordinated or brought under the control of a single central body such as the Commonwealth Department of Transport.

(ab) What changes may be required to existing practices to ensure the maintenance or improvement of safety standards?

As for (aa) above, control by one body rather than a number of state bodies would provide uniform and consistent guidelines and monitoring.

(ac) How do rail infrastructure and operations differ within Australia?

Infrastructure and operations differ between states due to historical state based control and development of geographically separate networks and systems. Other respondents will no doubt provide detailed analysis of these differences and the impacts they have on the efficiency of train operations.

Patrick's rail operation in the Melbourne to Adelaide corridor has high lighted a number of differences on that corridor :

- although now standard gauge, the track condition varies from poor to good through the corridor with some sections still under speed restrictions. This extends the transit time and adds cost to each journey. Also in Victoria the permitted axle loads are lower than in South Australia, so the wagons must be loaded at less than rated capacity.

- as the corridor is mainly single track, train paths are restricted by the ability to pass trains at crossing loops. These crossing loops vary in location and length and impact on the efficient transit of trains through the corridor, again delaying the train and adding cost to each journey.

- gradients and curves further restrict train speed in some sections, particularly through the Adelaide Hills, where, due to steep grades additional locomotives need to be attached to provide sufficient power to climb the grades. This slows the train and again adds costs.

- structure gauge restrictions, primarily bridge and tunnels, prevent double stacking of containers

For a major interstate route the condition of the rail highway as indicated by the above factors is well below standard and even with a high speed train capable of 110 kilometres per hour, (kph), the average transit time is 17 hours at an average speed under 50 kph. Road freeways provide interstate routes that allow trucks to travel consistently at 100 kph and average 70 to 80 kph or better. This contributes to a significant cost differential for train costs.

Operational differences relate to communication, signalling, procedures, monitoring systems, priority criteria, train path philosophy, and administration of operations. These factors are different in each state and require the operator to duplicate effort in dealing with different entities controlling each aspect. A single authority would remove a number of the systemic issues leaving the hardware components to be dealt with over time.

(ad) Is consistency (or standardisation) across the rail networks important? (For example, in areas such as communication systems, pricing practices, operating rules and safety standards)

Emphatically yes. Having locomotives with several different radios in them to communicate with the different state organisations and wagon loadings that are safe in one state but not in the next are but two examples where the efficiency of operation are reduced because of different standards. Pricing is clearly an issue where transparency and uniformity for all operators in each state on the interstate corridors is required and this pricing needs to be competitive with road.

(ae) What are the impediments to achieving improved consistency across the rail networks?

The introduction of a single authority will overcome the main body of systemic issues in a short timeframe. Hardware and infrastructure issues will take longer due to the time necessary to determine which is the most effective standard to adopt and the cost and time to then implement the changes. Priority should be given now, to reviewing the operating standards and systems in each state and comparing to world's best practice to determine the staged implementation of standards to the Australian rail network.
(af)What role can governments play to improve consistency in the administration and operation of rail?

Commit to the single authority concept and provide funds now for the evaluation stage.

(ag) Are there any constitutional impediments to improving consistency in the administration and operation of rail?

No comment.

(ah) What can private investors do to improve consistency in the administration and operation of rail?

No comment.

(ai) Is consistency an important reason to support a reduction in the number of rail authorities or companies?

Provided Australian standards are adopted rather than individual state or company standards, then the number of rail authorities and operators is less significant in determining solutions.

(aj) How important is consistency to the access regimes that apply in different jurisdictions?

The importance relates to the type and quantum of difference between the jurisdictions and the frequency that an operator has to transit different jurisdictions. For an operator confined to one jurisdiction, eg the Met, it would be less important if some aspects of the regime were different to say the TransAdelaide system. However, where freight and local passenger services occupy the same jurisdiction it is imperative that there is consistency across the regimes.

(ak) How important is consistency to participants in rail?

As in the above comments, inconsistency reduces efficiency, increases duplication of effort increases cost and reduces competitiveness.

2. Private sector participation.

(a) Has the rationale for either government or private sector involvement in rail changed with recent developments in administration, ownership and technology associated with rail? Do these developments warrant the use of different mechanisms by either government or the private sector to achieve desired outcomes?

The rail industry has been turned on its head with the opening of the rail system to private rail operators, corporatisation and privatisation of government railways and separation of track infrastructure from the above rail services. These changes have occurred over a short time frame and will generate different mechanisms for involvement in the rail industry. Private companies will become more involved in standards and operating regimes as commercial pressures drive for more efficient and effective operations.
Governments still have a legislative role and will still need to provide funding to bridge the gap between road and rail infrastructure standards.

(b) Should existing government ownership of track, rolling stock or terminals pass to private investors in the future? If so, under what conditions?

Rolling stock and terminals are the immediate concern of private rail operators. Existing government rail operators have inherited these facilities and equipment, whereas private rail operators have to lease, build or purchase terminals and equipment to compete. This is high lighted at the moment by National Rail's acquisition of rolling stock from various state government authorities. This has removed valuable equipment from the market place at a time

when new operators are establishing services and can not source sufficient rolling stock. National Rail has moth balled wagons surplus to its needs and will not allow other private operators access to these wagons. It has ,however, leased some of these wagons to other government railways not competing in the interstate business.

For true competition under the Hilmer credo, there is a need to ensure all players have an equal opportunity of access to resource such as wagons, locomotives and terminals.

Ownership of the track is of less importance at this stage due to the separation of track access from the above rail operation. In the longer term there may be value in privatising corridors or traffic specific lines, but this is seen as secondary to establishing a single track access authority now.

(c) What effect has the participation of private operators had on rail development in recent years?

For others to comment.

(d) What effect would increased private sector ownership and participation have on the integration of rail networks?

No comment.

(e) Can the safety standards of rail be maintained or improved with an increase in private sector ownership and participation?

Safety will be maintained by legislated requirements and accreditation authority control and monitoring of safety standards. Safety will be improved by commercial pressure to operate effectively, which includes safety. Unsafe practices cost more in the long run.

(f) What benefits are expected from increased private sector participation in rail? Are these benefits likely to exceed the costs associated with increased private sector involvement?

There should be an increase in efficiency of the operations, with a consequent reduction in costs which is passed to the community in the form of lower rates, more goods on rail thus removing some traffic from roads and improved environmental issues. Private operators will improve service levels and quality to customers and eliminate the current bureaucratic processes that are evident in providing rail services. One would expect the benefits to exceed the costs, but time will tell.

(g) What models of private sector participation would be appropriate in rail? For example, would build, own, operate, transfer (BOOT) schemes be appropriate?

No comment.

(h) What financial or other safeguards should be included in the terms of sale for government owned rail enterprises?

No comment.

(i) What are the implications for an interstate rail network if both Australian National and National Rail are sold?

The rail network is separate from the above rail operators. Sale of Australian National and National Rail to private enterprise will ensure that rail services will be run more effectively and this may free up additional train paths which may then be sold to other operators. More efficient rail services will generate more business on rail which will also generate more income for the Track Access authority and for the rail service operator.

(j) Is competitive neutrality (that is, where government and privately owned enterprises compete under the same terms) possible in rail, having regard to issues such as:

existing community service obligations? - these need to be clearly identified and equal opportunity provided to all rail operators to bid for the services that attracts CSOs, similar to school bus routes.

cross-subsidisation within the industry? - private companies will determine their own cross subsidisation if required. However, the government or corporatised rail operators should be required to treat each service on its own merits and not allow under recovering businesses to be propped up by be cross subsidisation from more profitable businesses.

differences in the application of taxation to participants in the industry? - no comment.

access inequality for different participants? - track access rates and train paths need to be available on an equal basis to all rail operators. Currently existing operators have been assigned priority train paths due to their historical position. This leaves less desirable train paths for new entrants, whilst rates may be the same or higher for the new entrant due to lesser bargaining power.

the regulation of technical and safety standards?- this should be uniform across the rail industry irrespective of whether the organisation is private or government.

the lower risk of bankruptcy currently held by publicly owned enterprises? - no comment.

(k) What action can be taken by governments to facilitate competitive neutrality?

As discussed in (j) above.

(l) How should governments meet community service obligations?

No comment.

(m) Are existing laws to ensure competitive neutrality adequate?

No comment.

(n) Will rail require an industry specific tribunal(s) to consider issues concerning competitive neutrality? If such a body is required, should it be funded and operated by government or the private sector?

It is considered that the ACCC would provide the necessary mechanism for this issue but may need to develop a higher level of rail expertise.

(o) What barriers exist to private sector participation in rail? Can the lowering of these barriers be facilitated by government action?

Aspiring rail operators need clear guidelines and a single authority to approach in regard to track access. Matters such as accreditation are being addressed by each state on a cooperative basis, but could benefit from control by one authority. Access to rolling stock currently controlled by existing government railways needs review by government to ensure equity of access and charging.

(p) Are tax or other incentives warranted to encourage private sector investment in rail?

If the government wishes to foster the growth and development of rail, then tax incentives and BOOT schemes would induce more participation from the private sector.

(q) Do economies of scale (where unit costs fall with increased production) warrant concentration of ownership among operators for each of the different functions performed in rail?

There are certain economies of scale in each of the different functions in rail and these range from track maintenance to locomotive operation and all activities in between. Track infrastructure will be the realm of the Track Access Authority where work would be packaged out to provide for economies of scale. Above rail operations will determine their own economies of scale through competition and market forces.

(r) Should rail businesses be disaggregated (consistent with the model in NSW) or vertically integrated (as in Queensland)?

No comment.

(s) Is there an optimal size for a rail business? If so, what is that size?

No comment.

(t) Is competition between providers an important goal in rail? If so, will existing measures ensure adequate competition?

No comment.

(u) Is competition between providers compatible with consistency across rail? If not, what degree of competition is appropriate?

No comment.

(v) Is Australian ownership an important goal in rail? If so, will existing measures ensure the achievement of this goal?

No comment.

(w) Will new technologies enhance or hamper private sector participation in rail?

No comment.

(x) Should responsibility for the regulation of technical and safety standards rest with the public sector, the private sector or both sectors?

No comment.

(y) Should the organisation(s) responsible for regulating technical and safety standards be independent from organisations that have responsibilities for other rail functions?

The Standards Association of Australia and Safety Accreditation through Departments of Transport should be the organisations to control these aspects are are currently independent of other rail functions. Operators do have the ability to input to these organisations during formation of standards and policies and this should continue.

(z) Where are the best opportunities for private sector involvement in rail?

All aspects of the rail industry but particularly track maintenance and above rail operations.

3 Access and utilisation of the rail network

(a) Should responsibility for determining access to a national rail network rest with the Commonwealth Government, state/territory Governments or other parties?

As discussed above, a single track authority should control track access. This should either be established as a corporation with a view to privatising, or by setting up an independent company with a sunset clause. This has previously been discussed with the Department of Transport.

(b) Part IIIA of the Trade Practices Act 1974, provides arrangements for evaluating access to essential facilities. Are the provisions contained in Part IIIA appropriate for evaluating access arrangements for a rail network?

No comment.

(c) What objectives should be used when determining access arrangements for a rail network? (For example, how would you trade off encouraging competition with ensuring a reasonable rate of return on investment?) Can these objectives be achieved through access agreements in a deregulated environment?

No comment.

(d) Which access regimes are likely to be suitable for adoption by rail?

Access regimes with transparent pricing using a flag fall and usage component or alternatively an "all in" tonne kilometre rate would appear to be suitable. Transparent allocation of train paths is also desirable to ensure equity of timetable transits and arrival/departure priorities.

(e) What are the costs of underutilisation of rail and which parties carry these costs?

The cost of underutilisation could be worked out on the basis of current track capacity versus utilisation and world best practice capacity versus world best practice utilisation. Under utilisation of rail is a cost borne by all participants in the rail industry and by the community itself.

(f) Is there scope to increase utilisation of existing capacity?

Referring to the corridor in which Patrick operates, Melbourne to Adelaide, there is scope to increase utilisation by reviewing the existing train paths and accepting uniform axle loads and speeds on the corridor. This same situation must apply on other corridors. If the point to point transit times can be reduced at all by fine tuning the current systems , this will immediately reflect in reduced fuel and labour costs per train trip.

(g) What are the impediments to achieving better utilisation of rail networks? Can these barriers be eliminated or reduced?

These have been discussed earlier in this submission.

(h) Are multi-modal considerations given sufficient priority in the strategic planning and development of rail networks?

No comment.

(i) Do multi-modal considerations differ for passenger and freight services?

No comment.
(j) What are the impediments to the adoption of multi-modal approaches?

No comment.

(k) Is a national strategy required to ensure maximum utilisation of rail networks? If such a strategy is required:

- should it be targeted specifically at rail or should it form part of a broader transport strategy?
- should it be the responsibility of governments or should the strategy be driven by the private sector?

Australia should adopt a national strategy relating to rail's position in transport and the community to ensure that investment and utilisation of rail is maximised. It should be considered as part of the broader transport and community needs and should meet the criteria of providing an effective and economical transport solution on an holistic approach.

(l) Is it necessary for freight routes to include dedicated rail lines in high use metropolitan areas. If not, how should the competitive needs between freight and passenger services be managed.

The key cities have interaction between freight and passenger to differing degrees. In the long term, as rail business grows, there will be a need for dedicated tracks through the metropolitan areas and these should be planned for now. However, in the short term there will be an ongoing conflict between passenger and freight services at some locations at certain times. The current discipline is usually in favour of passenger trains, but as train path times become more critical, controllers will need to favour the train running on time rather than its awarding priority to passenger services. Purchase of train paths brings a commercial imperative to the control of train movements and rail operators will need to have a voice in determination of the disciplines to be employed by metropolitan controllers.

(m) How should rail be integrated with other transport networks to increase utilisation of rail networks?

No comment.

(n) Is there a role for governments in facilitating increased integration between different modes of transport?

The role for government should be primarily through the national strategy for transport and through funding of rail and projects in general.

(o) To what extent should the use of land surrounding rail facilities be integrated with rail networks?

This should occur as a result of commercial need and development, but land clearly associated with potential development site for transport should be able to be acquired by the government and zoned for that purpose.

(p) What barriers exist to the achievement of greater integration between different modes of transport? What measures should be taken to remove these barriers?

Physical factors such as geographic location and distances separating facilities create immediate barriers and perceptions of effectiveness and inflexibility of rail versus road creates a different type of barrier. These barriers are gradually being attacked by the rail industry and by intermodal operators who are able to see the potential for change in the efficiency of rail and are now positioning themselves to provide a stronger integration of the various modes. Logistics companies seek to provide a seamless service to customers and integrated modes of transport provide the mechanism for this to occur. As more companies strive to provide total solutions to clients for their transport needs, the integration of transport services will be developed to meet that need.

4 Investment and ownership arrangements

(a) Are existing levels of investment in rail appropriate?

It is considered that the imbalance between funding between road and rail has been a much argued and documented topic. Suffice to say, here, that funding for rail is totally inadequate for a national transport asset. The amount poured into roads is of great benefit to the community, but does not consider the greater benefits to be achieved by a more efficient high speed rail system. Funding for rail should certainly be reviewed and funds should be injected on a priority basis for maximum effect in the shortest term.

When it is considered that a sum less than $200 million could upgrade the Melbourne to Adelaide rail corridor to allow high speed and double stacking, the reduction in transit times and costs would be dramatic. Similar situations abound on all corridors. A plan needs to implemented to address the realistic needs for funding of rail improvements in order to lift the standard of interstate rail tracks,

The recently announced funding by the Federal Government over the next four years, whilst commendable, is still far short of the real needs of the rail infrastructure, particularly when compared to the amounts being allocated to roads each year. The volume of interstate freight on rail is approximately equivalent to that carried on road, yet the funding for rail is insignificant by comparison to road.

(b) Are existing mechanisms for financing rail investment effective? What mechanisms should be used to finance future rail investment?

No comment.

(c) Should incentives be provided to encourage private and public funding of investment in rail. If so, how should these incentives be financed?

As discussed above, tax incentives or BOOT schemes could be structured to provide incentives.

(d) Should foreign investment considerations be taken into account when identifying an appropriate structure for the rail industry?

No comment.

(e) How can appropriate reinvestment in rail networks be facilitated when, under existing circumstances, an adequate rate of return on investment may not be achieved from users of the networks?

No comment.

(f) What objectives should be used when determining public investment in rail?

No comment.

(g) What objectives are used by private investors when considering investments in rail? Should governments provide incentives to influence these objectives?

No comment.

(h) What criteria should apply to investment decisions in rail infrastructure?

No comment.

(i) Are the objectives of private and public investments in rail compatible? (For example, private investors may be most interested in profitable segments of the rail networks, while the public interest may be best served by investment in larger corridors of rail development).

See previous comments.

(j) If the objectives of private and public investments in rail are not compatible, how may the competing interests be best served?

No comment.

(k) Should broader policy objectives be pursued through conditions attached to the use of public rail assets by private operators?

Conditions should not be applied to private rail operators as a target group. If conditions are required to fulfil the broader objectives then they should only be applied on an equity basis across all users, government, corporate or private and should be equivalent to those similar conditions, if any, imposed on other modes of transport.

(l) What are appropriate ownership structures for the rail industry?

Market forces will determine the appropriate structures, provided monopoly type situatioins are not allowed to develop during the sale of government assets.

(m) If rail businesses are disaggregated, should:

- rail tracks, remain in public ownership? - initially, yes, but subject to review.
- rolling stock remain in public ownership? - government stock should be equally available to all rail operators rather than locked in with existing government corporations.
- rail terminals remain in public ownership? - existing rail terminals owned by government should be offered out for private operation.
- publicly owned operators remain in the market to compete with private sector operators? - there appears to be little value or reason to retain government rail operators, when a number of private operators will provide competition and commercial controls.

(n) What, if any, ownership structures could be introduced to assist rail to capture more business?

Government is required to ensure a level playing field with other modes of transport and provide the environment for the rail industry to improve its effectiveness in its own operations

and effectiveness in competing with road. The ownership structures of above rail operators will be determined by private companies to suit the climate of the time.

5 International best practice

(a) Are rail operations in Australia performing at best practice in 1997? If not, what are the impediments to achieving best practice?

The Melbourne to Adelaide corridor is certainly not performing at World Best Practice, (WBP). The impediments have been discussed through this submission and can be addressed with policy direction and funding.

(b) How do rail networks operate in other countries? Are these networks suitable for comparison with Australian rail and is sufficient information available to make the comparison?

No comment.

(c) What practices are used in other countries that would provide good models for rail in Australia?

No comment.

(d) Are there examples from other countries where private and public operators compete effectively in the provision of rail services?

No comment.

(e) Are there examples from other countries where effective national, strategic planning and coordination arrangements apply within a federal system of government?

No comment.

(f) Which aspects of the rail networks are suitable for benchmarking?

Considerable work has been carried out by rail operators concerning areas which may benefit from benchmarking. Primary areas are track maintenance and train operations. Several studies have already been conductedand an amount of data has already been gathered. Before embarking on any new benchmarking studies, existing studies should be consolidated and relevance determined. Then additional requirements should be determined.

(g) What performance indicators are currently used for rail infrastructure? Are these indicators appropriate and how should the data be collected and analysed?

Each rail system has a number of key performance indicators relating to rail infrastructure and its maintenance. The rail systems should be requested to provide this information.

(h) Do Australian rail safety practices represent international best practice?

No comment.

(i) Is rail in Australia operating according to international environmental best practice?

No comment.

Comments provided by Patrick Rail Operations.

Gary Camp

GENERAL MANAGER RAIL