

**Lachlan Regional Transport Committee
Incorporated**

SUBMISSION

**Australian Government Productivity Commission
Review of National Competition Policy Arrangements
Submission**

8 June 2004

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Review of National Competition Policy Arrangements

Lachlan Regional Transport Committee Inc., submits that National Competition Policy should be amended for it to be allowed to create an equity between road and rail use by eliminating uncompetitive practices and charges which discriminate heavily against rail operators, consumers and producers, in favour of road use.

Competitive neutrality cannot exist between the two transport modes of road and rail as they do not experience similar or consistent investment, taxation, charging and regulatory frameworks.

Restrictive Practice⁴

Rail infrastructure is operated on the basis of cost recovery and a required economic return (profit from use) to the owner, whether State or private. No equivalent set of parameters exist for roads except in a very minor role, eg the "toll road".

Before an operator can use a rail regime, a complicated business plan has to be submitted, as required by NSW ref: (a).

Accreditation is required under the NSW Rail Safety Act 2000 and appears to be subjective in that the Director General of Transport has to be satisfied that an operator is accredited. If accredited, operations can then commence. No such requirement is stipulated for a heavy road operator before using a road system, however for each section of a journey a rail operator has to "hook the path" well ahead.

Measures to impede efficient running on track include poor maintenance with resulting permanent speed restrictions making the use of the line uneconomical for both the owner and the operator, (Rail Infrastructure Corporation - Speed Restriction Notice: 16.11 2003, 00:06 NSW all lines, 307 listed restrictions), resulting in line closures, eg (RIC - 29 April 2004, . Casino to Murwillumbah Branch Line, to become non-operational, XPT service withdrawn). The eventual outcome of these situations, the road system carries the burden, buses are to replace this XPT service.

It is known that RIC had, inflated maintenance charges of 63.9% when compared to ARTC's, allowing a justified argument that a line was too costly to keep operational. Once uneconomic viability becomes established by due process and the line is made non-operational then infrastructure is removed. (SRA 11 December 1997 G McNeill - Sidings' and Loops; Removal, 220 NSW sites)

Restrictive Costs

Each operator is required to pay an annual accreditation fee before being allowed to use a rail regime. For each journey a non-refundable upfront fixed "flag fall" charge is levied which is forfeited even if the journey is cancelled through no fault of the operator, eg: due to track work. Over and above these charges and in addition to normal operating costs: fuel, insurance, wages, wear and tear; and which are common to road operators alike, the rail operator is charged "access" fees on the basis of each tonne-kilometre travelled, even if moving a locomotive for maintenance or refueling. No equivalent access charge exists for heavy road vehicles, trucks and buses. Road use is essentially cheaper, ref: (b). Comparative charges on 3 major transport corridors, road/rail, ie., Sydney/Melbourne, Melbourne/Brisbane and Sydney/Perth show rail charges to be 151%, 168% and 167%

respectively, of the equivalent road charges, due to imposed additional costs for rail use. (Charges to use road or rail - 'Back On Track'- 2001).

Industry wishing to use rail in need of upgrade pays for this work and then is charged for its use. To use an alternate road system, industry must pay for its upgrade (a recognised cost per km of \$200,000 to \$235,000 is required to reach a B-Double standard) and thence the road maintenance is the responsibility of government (c).

In order to make a line uneconomical for an operator to use, inflated access charges are imposed, RIC's access charges are reputedly 50% higher than ARTC's, in NSW.

Other Costs

These involve disproportionate amounts borne by the community because the use of rail has been restricted in favour of road use. They include such things as increased noise, exhaust emissions, traffic congestion, accidents, in all by some 10% (Queensland Transport, 2002) and maintenance. Fatal accidents per tonne-kilometre travelled amount to roughly 7 times that of rail, when road freight figures are compared with the rail freight figure (Freight Rail Corporation Sale - Bill - 2001, Impact Statement 21 June 2001). One key factor which is disregarded despite being referred to in "transport legislation" as being a requirement and which cannot be easily evaluated, is that of the effect of not having rail, on social responsibility to the community.

The maintenance on a road is commensurate with its use, whereas the maintenance required on rail does not increase with use, it is the same whether or not, 10t or 100,000t uses the track. Wear on rail per wheel is 0.14 times that of a tyre on a road (Royal Commission Into Grain Storage October 1986). Whereas the roads' maintenance problem lies in the fact that 6 axle trucks causes 10,000 times that damage caused by a car. B-Doubles in addition create at least twice that amount of damage. (P.G.Laird, Road Pricing, University of Wollongong, January 2000).

CONCLUSION

By allowing National Competition Policy to influence an equity to be created between the costs and practices which control road and rail use, significant economic benefits will be gained by the Nation. It behoves the Commonwealth to exercise its powers under the Australian Constitution, to make laws which will develop both land transport modes, ie road and rail, to the best advantage of the country. Likewise, the Australian Land Transport Development Act 1998 gives the Commonwealth power to improve both modes of transport, accordingly.

It is important that all rail regimes whether operational or non-operational must be made available to operators who would wish to use them, in a similar manner to the open access all users have to the Nation's road systems.

Very little can be achieved while the stultifying, parochial and regulatory practices which are imposed by State legislation persist. These assist the States' to shed their responsibility for rail, which is most noticeable in NSW. The Australian Rail Track Corporation leased track 2004, in NSW, tends to support this hypothesis.

An appropriate amendment to the National Competition Policy would allow the Council to effectively oversee the reforms so desperately needed to make better use of Australia's land transport system.