

Delivering reform

- 3.1 In this chapter we draw together the key challenges facing governments and the industry if the full potential of interstate rail operations is to be realised.

Accepting the challenge

- 3.2 As we have noted, much progress has already been made in reforming Australia's rail industry. It is plain to all who look that the industry is evolving rapidly from its State focussed, government owned and operated origins to an increasingly dynamic, nationally focussed commercial industry.
- 3.3 But if rail is to reach its full potential, governments around the country must recognise that the community wants better interstate rail services and that the benefits of further reform are significant and enduring.
- 3.4 Once the barriers facing rail operators are removed:
- Australia's international competitiveness will be enhanced;
 - the transport task will be distributed more equally between road and rail, leading to less congested, safer roads and better air quality, particularly in our cities; and
 - new opportunities for regional development will be created by fostering the potential for non-capital city rail hubs and inland ports.
- 3.5 On any balanced assessment, these benefits should be sufficient to generate the political will needed to confront the challenges of rail reform.

- 3.6 For the Commonwealth Minister for Transport, accepting the challenge means resolving to:
- press the pace and direction of reform to the maximum extent possible, consistent with the Commonwealth's constitutional authority to legislate in relation to international trade and interstate commerce; and
 - resist the pleadings of well-established vested interests.
- 3.7 For State ministers for transport, accepting the challenge means recognising that:
- the rail industry has a vital national component, the development of which has been retarded by inconsistent State regulatory regimes; and
 - businesses located within State borders will benefit significantly by measures which reduce freight rates and improve delivery and turnaround times.
- 3.8 If transport ministers do not rise to the challenge, leaving behind the jealousies of the past, the rail industry will struggle to fulfil its potential and a grave disservice will be done to the Australian community.

Specific measures

- 3.9 The next steps in the reform process are well known and have been debated extensively in recent years.
- 3.10 They have been summarised most recently in the Commonwealth's response to *Tracking Australia* and the other rail reform reports.
- 3.11 Aside from the Commonwealth's unwillingness to invest in rail infrastructure to the extent we believe necessary, we generally accept the benchmarks and timelines described in the Commonwealth's response.
- 3.12 Specifically, we believe it is imperative that:
- *in relation to development of coherent national transport plans and policies*, the Commonwealth work with the States through the Australian Transport Council to establish clear directions for the future of Australia's transport system, in part through the creation of a single cross-jurisdictional Land Transport Commission combining the functions of the National Road Transport Commission, the National Transport Secretariat and the Australian Rail Operations Unit;

- *in relation to investment*, the Commonwealth commit itself to using the results of the network performance and investment audit being undertaken by the ARTC as the basis for guiding its future funding strategies for rail;
- *in relation to national track access arrangements*, the Commonwealth fulfil its commitment that unless national track access arrangements are working effectively by mid-2001 it may legislate to establish a network manager. We strongly support this commitment, noting that the Commonwealth has foreshadowed that it may use this as an opportunity to formally declare a national rail track;¹
- *in relation to consistency in accreditation, operating procedures and safety standards*, the Commonwealth fulfil its commitment that if the National Codes of Practice currently being developed on a co-regulatory basis are not working effectively by mid-2001, it may legislate to establish a new rail industry body, modelled on the National Road Transport Commission, to be responsible for accreditation, standard setting and safety regulation on the national network. We strongly support this commitment; and
- *in relation to taxes, charges and competitive neutrality*, the Commonwealth continue to work to ensure that taxing and charging regimes for road and rail are consistent and equitable and do not unfairly restrict the capacity of rail to compete for its share of the national transport task.

3.13 We believe these reforms are required urgently and, judging by the evidence we received at our seminar, it is unlikely that the mid-2001 target dates for reform will be met without direct and forceful Commonwealth intervention.

3.14 Accordingly, we make the following recommendations.

1 Hon John Anderson MP, *Response of the Federal Government to Reports of the House of Representatives Standing Committee on Communications Transport and Microeconomic Reform ('Planning not Patching' and 'Tracking Australia')*, *Report of the Rail Projects Taskforce ('Revitalising Rail')* and *Report of the Productivity Commission ('Progress in Rail Reform')* (April 2000), p.12

Recommendation 1

- 3.15 **The Minister for Transport and Regional Services should take a leading role in continuing to reform the Australian rail industry by:**
- **legislating to establish a national rail network manager;**
 - **legislating to establish a national rail transport commission, modelled on the National Road Transport Commission, to be responsible for strategic planning in the industry and establishing harmonised accreditation, operational and safety standards on the national network; and**
 - **considering again the establishment of a single land transport commission (involving all States and Territories and incorporating the National Road Transport Commission and the rail transport commission proposed above) to ensure that national transport planning is conducted in a coordinated fashion across all transport modes.**
- 3.16 In our view, the cornerstone of this package of coordinated Commonwealth action should be the declaration of a national track for interstate rail services on the standard gauge network from Brisbane to Perth.
- 3.17 Declaration of a national rail track would act as a springboard for an integrated series of further reforms in the industry, in the much same way as declaration of the national highway resulted in significant reform of the road transport industry. It would:
- allow more integrated and efficient management of track access than at present;
 - provide a harmonised operating environment for private sector rail operators;
 - provide a stable, consistent regulatory environment for private sector investors; and, importantly
 - define government funding responsibilities with a clarity they lack at present, thereby providing rationale and opportunity for targeted Commonwealth Government investment at a rate which reflects rail potential contribution to the national transport task.
- 3.18 These reforms are too important to be allowed to languish any longer.

Recommendation 2

- 3.19 **The Minister for Transport and Regional Services should, when considering the package of reforms we have recommended, give the highest priority to declaring a national track for interstate rail services on the standard gauge network from Brisbane to Perth.**
- 3.20 Once these reforms are in place, the Commonwealth must make a substantial and sustained commitment to improving the national track.
- 3.21 In *Tracking Australia* we recommended that the Commonwealth invest \$750million over three years in the national track and that, beyond this program a further \$2billion be invested in strategically important rail infrastructure over a ten year period. We envisaged that an investment program of this magnitude (amounting to \$200million per year) would enable the chronic deficiencies in rail infrastructure (such as poor sleeper quality, poor rail substructure, poor rail surface and joints, and unreliable signalling equipment) to be tackled.
- 3.22 Nothing in the three years since *Tracking Australia* has changed our view on the need for this scale of investment.
- 3.23 We are deeply concerned that rail continues to attract a relatively small proportion of government funding for transport infrastructure. Governments around the country spend around \$7billion per year on road funding, with the Commonwealth contributing about \$1.3billion per annum. In addition, the Commonwealth recently announced its \$1.6billion Roads to Recovery program.²
- 3.24 Notwithstanding the Commonwealth's promised \$165million contribution to the proposed Alice Springs to Darwin rail link, its ongoing funding commitment to rail reform (at \$250million over four years) looks meagre in comparison.
- 3.25 Although we have no objection to continuing high levels of road funding (indeed we recommended such a commitment in our 1997 report *Planning not Patching*), we do believe that a better balance needs to be achieved in funding the development of our national transport infrastructure. It seems

2 The Commonwealth's \$1.3billion expenditure includes \$710million on the National Highway; \$148million on Roads of National Importance; \$41million on Road Safety Black Spots and \$406million on local government roads (these figures are for 2000/01 expenditure). In addition, the Commonwealth has committed \$48million over four years to upgrade under-strength bridges on the national highway and major freight routes, and has commenced a \$44million upgrade of bridges over the Murray River. (Information obtained from the Department of Transport and Regional Services web site: www.dotrs.gov.au)

a particularly skewed assessment that money needs to be devoted to an 'icon' project like the Alice Springs to Darwin link ahead of more basic, urgent and cost effective improvements to the existing interstate network.³

- 3.26 We do, however, acknowledge that responsibility for investment in rail does not rest solely with the Commonwealth. State and Territory governments and the industry itself have a role to play to upgrading rail infrastructure. We are especially pleased to see that some private operators have already shown a willingness to invest substantially in terminals and some track infrastructure.
- 3.27 All governments should make it a priority to do their utmost to attract more private investment into the industry. The package of measures we have recommended above will go a long way towards this aim, by overcoming some of the regulatory confusion and uncertainty which has inhibited the development of the industry.
- 3.28 Another vital consideration in planning for future investment is the ARTC's national infrastructure audit. This audit, the results of which are due to be published within the next month, will assess in a systematic way the current state of rail infrastructure and its capacity to support 'whole of corridor' performance improvements.
- 3.29 Essentially, this report will provide governments and the industry with 'blueprint' of investment options, along with assessments of the scope, feasibility and cost of such works.
- 3.30 It is imperative that all governments regard the ARTC's audit report as the final piece in the reform puzzle and that its results are acted upon.
- 3.31 A genuine opportunity now exists for governments, especially for the Commonwealth Government, to take advantage of the momentum that is building in the reform process:
- the community and the industry want better interstate rail services;
 - we and others have mapped out the regulatory and management reforms that are needed; and
 - a coherent set of national investment priorities are about to be revealed.

3 Many participants at our seminar seemed to agree with the judgement that the Alice Springs to Darwin link is 'going to be a very expensive branch line.' (see Transcript of proceedings, 24 November 2000, Sydney, p.40 (David Marchant))

- 3.32 The Government needs to find the political will to act on these matters urgently.
- 3.33 To complement the regulatory and management reforms recommended above, the Government should also commit to a substantial rail infrastructure investment program, of a magnitude comparable to that recommended in *Tracking Australia*.

Recommendation 3

- 3.34 **Upon receipt of the results of the Australian Rail Track Corporation's national infrastructure and performance audit, the Minister for Transport and Regional Services should urgently put in place a 10 year below track infrastructure re-development program of a magnitude comparable to that recommended in *Tracking Australia*. This program should be in addition to funding already made available to projects such as the Alice-Springs to Darwin rail link and the Sydney freight corridor.**

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Committee Chairman

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