

Our Reference: RTSA-NS-277

24th January 2012

Review of Access Pricing on the Grain Line Network
Independent Pricing and Regulatory Tribunal
PO Box Q2909
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NSW 1230

Dear IPART,

The Railway Technical Society of Australasia (RTSA) appreciates the work undertaken by IPART concerning the NSW branch lines. The RTSA welcomes the draft report - Review of Access Pricing on the Grain Line Network and wishes to make some comments.

The RTSA is a joint technical society of both Engineers Australia (EA) and the Institution of Professional Engineers New Zealand (IPENZ). Technical Societies have a role in providing a forum for technical professional development, networking, expanding and sharing knowledge with like-minded engineering professionals. In particular, the RTSA has as part of its mandate, the professional development of its members and the communication of the social, technical and economic benefits of rail engineering practice.

A major component of the RTSA's activity is its technical rail engineering conferences every two years, monthly talks in each of its chapters and occasional study tours on rail engineering. In relation to the NSW branch lines, the RTSA undertook the **RTSA Study Tour – Branch Lines of NSW** in March 2006. This was in response to an industry speech by Mr. Paul Neville MP (the Federal Member for Hinkler) for input into the Australian Parliament House of Representative's Standing Committee on Transport enquiries into regional rail. The NSW Chapter of the RTSA thought it important to organise this tour for its members to see first – hand how the NSW branch lines operate and to understand the challenges facing the grain logistics industry. The RTSA produced a study report from this tour and made submissions to Mr. Neville's inquiry. A pdf copy of the study report is attached for the information of IPART. The RTSA also made submissions to the NSW Grain Industry Advisory Committee at that time.

Subsequent to this study tour and as a direct result of the interest generated by the tour the RTSA organised (in collaboration with Charles Sturt University) a symposium on regional rail. Called the **Future Frameworks for Regional Rail**, this symposium was held in February of 2007 in the regional city of Wagga Wagga.

Railway Technical Society of Australasia (RTSA)

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The speakers and topics included:

Speaker	Affiliation	Topic
Mr. Ed Zsombor	Rail Projects Saskatchewan Highway and Transport Agency, Canada	Transforming Canada's Rural Railways
Mr Paul Neville MP	MP for Hinkler. Chair Standing Committee on Transport and Regional Services	Report on Integration of Regional Rail and Roads and their Interface to Ports
A/Prof Ian Gray	Charles Sturt University	Regionalism, Railways and Local Government
Prof Allan Curtis	Charles Sturt University	Regional Governance: Lessons from the Australian Experience with Catchment Management
Mr John Hearsch	John Hearsch Consulting	Victoria's Regional Rail: Past, Present and Potential
Mr John Goodall	Beyond Rail Solutions	Evidence from Western Australia of an Integrated Grains Industry
Mr Kenn Clacher	Kenn Clacher and Associates	Co-operative approaches to Rail in the Hunter Valley Coal Export Industry
Mr. Mick Maartensz	Vic Operation Manager, Southern Shorthaul Railroad	View of the Emerging Australian Short- line Rail Operator

A representative from the NSW Department of Transport was invited to speak at this symposium at the time, but declined.

As part of this symposium, the RTSA organised for an eminent speaker, Mr. Ed Zsombor (Director of Rail in the Saskatchewan Highway Department) to talk on the Canadian grain task and short-line rail experience. Mr Zsombor has unique experience in farming, regional development and rail experience in the Canadian system. The similarities and differences between Saskatchewan's and NSW's grain logistics continue to be relevant case studies for future NSW regional rail policies. The RTSA also provided separate briefings of Mr Zsombor to the NSW Department Transport, Mr Paul Neville's inquiry and to State officials in Victoria and South Australia.

The symposium was a great success and a number of speakers gave their experience of the regulatory and cost barriers that operate in the NSW branch lines.

The RTSA is pleased to enclose pdf's of the presentations of each of the speakers from this symposium for the information of IPART.

As a volunteer organisation the RTSA has been active in promoting rail solutions as part of the NSW grain logistics. As can be seen by the number of enquiries on regional rail by both state and federal governments, regional rail capability remains a key concern for local regional communities. The policy settings do not appear to meet the aspirations of local regional communities. The RTSA believes that rail is not living up to the potential it has to offer. The RTSA is therefore pleased to make some general comments on IPART's Review of Access Pricing on the NSW Grain Line Network.

1. The RTSA believes it important that the assumptions on the capital costs be made available. Table 6: Rail Cost Assumptions from the Deloitte's cost paper states "The capital cost of the rolling stock is based on the refurbished value of the asset and was obtained from a combination of desktop review and industry expert consultation." The actual values of wagons and locomotives are not disclosed and yet large parts of the IPART modelling are based on these assumptions. Furthermore there is no sensitivity modelling on these capital assumptions.

A number of new generation locomotives and wagons, both 19 and 20 Tonne Axle Loads, are entering the Australian market at very low prices. Locomotives have new generation fuel efficient engines (including the ability to use bio-fuels) and new generation AC traction control and when combined in a train consist using ECP (electronic controlled pneumatic) braking on wagons, may shift the whole economic paradigm of the grain task, from rail head to port. Fuel efficiencies alone (on a power-for-power locomotive) can have very significant cost savings and with traction control and improved braking may change the whole nature of the freight task.

However there is no ability within the IPART documentation to compare the capital costs of new generation locomotives and wagons to those of the 'business-as-usual' approach, using 81 or 48 Class locomotives. In some instances rail operators may be eligible for government capital grants under energy efficiency or climate change policies. The RTSA requests the assumptions in Table 6 be made available for critical review.

2. Furthermore, the RTSA believes the NSW Government (through Transport for NSW) should undertake operational research in conjunction with GrainCorp / AWB / CBH, the Country Rail Infrastructure Authority, SME rail companies and local governments to study new rail operating models (including rail infrastructure, storage facilities and port terminals). Many of the inefficiencies within the grains logistics chain operate at different levels and parts of the chain. For example there are silo loading / unloading constraints, track layout constraints, axle loading restrictions, regulation burden and capital and operating cost constraints. The RTSA therefore supports a grain's industry planning and co-ordination group similar to the WA Grain Industry Group model. It is recommended that this planning and advisory group is strongly led by State Government with support from industry, local government and the Commonwealth. Any NSW grains industry planning and co-ordination group must be able to undertake applied research and feed directly into NSW Government policy.

The work of the five councils of Harden, Young, Cowra, Blaney and Weddin to re-open the Demondrille Cowra Blayney line is to be commended (<http://www.cowraregion.com.au/home/?id=4369>) and demonstrates preparedness on regional communities to engage with the State Government to reopen branch lines.

(The RTSA also notes the recent announcement on 20 Jan 2012 by Union Pacific Railroad, Colorado Wheat Administration Committee and the Colorado Association of Wheat Growers to form the Wheat Rail Transportation Workgroup to "...work together on common understanding, accountability, education and discussion of rates and service issues". See <http://coloradowheat.org/2012/01/wheat-rail-transportation-workgroup-created-in-colorado/>)

3. One of the challenges facing the NSW branch lines is regulatory risk, particularly in relation to the Rail Safety Act (NSW) (notwithstanding the emerging Rail Safety National Law). Gaining accreditation for rolling stock, particularly from overseas suppliers can be a long process. Similarly, gaining accreditation for rail infrastructure,

to regulators that may not be knowledgeable in 'fit-for-purpose' regional rail infrastructure places a compliance burden on rail operators and rail infrastructure managers. Unintended consequences occur when a bias against rail develops because of the application of a test of 'as low as reasonably practicable' in the risk process, which then sees grain transport divert from rail to road. And yet there is no similar test for road transport, but simply an obligation to have a driver's license, registration of vehicle (designed to Australia Design Rules) and adherence to the road rules. Intuitively, bulk grain transport is inherently safer on segregated rail corridors, than on the public road system.

The treatment of road risks by an ex-post actuarial assessment of road accidents, and then the application of insurance premium, is fundamentally different to the treatment of rail risk (which is via ex-ante regulation). The risk profiles are not comparable across modes and do not provide the community with a comparison of the changing risk profiles occurring across the modes. There is no risk comparator on regional grain corridors that compares the overall public risk profile of rail grain haulage to that of road haulage. We recommend that a risk assessment across both modes would help understand the economics of the task.

An ex-ante assessment of risk exposure (frequency, loadings and trip length) of grain transport on the public road corridors would assist in providing a better understanding of the risk of grain haulage for regional communities.

4. The RTSA recognises the low cost recovery on branch lines (2% on average), however commends the IPART's priority attention to regulatory reform rather than pricing. The industry currently does not have the capacity to fully recover the cost of infrastructure upgrades.

One measure to lift rail productivity on branch lines would be to lift the axle loadings on 'fit-for-purpose' infrastructure. The trucking industry claims that B-doubles and B-triples increase road productivity. These same claims can, and should be applied to rail, with increased axle loads.

5. Anomalies also occur in funding for rail infrastructure in relation to an holistic grain transport task. Certainly the costs of fatalities and injuries are factored into benefit-cost analysis of government funded road projects and yet no direct consideration is given to the avoidance of these costs (in relation to the grain transport task) in the provision of rail infrastructure. Similarly the link between rail infrastructure provision and the avoidance of road maintenance costs is also very weak.
6. The RTSA also notes two sets of values of externality costs, and consider that the higher values are more appropriate than are the lower values, and closer to those developed in 2001 by Booz Allen and Hamilton for the ARTC Track Audit (<http://www.artc.com.au/Article/Detail.aspx?p=6&np=4&id=13> and http://www.artc.com.au/library/news_010501.pdf) The RTSA also contends that on average the energy efficiency of rail freight transport is three times that of articulated trucks, and that rail's energy efficiency can further be improved by lifting, with track upgrades as need be, the permissible axle loads on branch lines.

In summary, the RTSA sees a brighter future for regional rail but one in conjunction with active government facilitation with grain stakeholders and regional communities. Although pricing for cost recovery is important, a leadership role in developing a deeper understanding of new approaches in technical efficiency on a corridor by corridor basis, allied with some enhanced government policies is required in delivering a balanced and integrated regional grain transport

task. The RTSA is available to assist any of the stakeholders, including the Tribunal, with this task.

LIST OF REQUESTS AND RECOMMENDATIONS

- RTSA requests that the capital costs and modelling assumptions of rollingstock as used in the Deloitte's report for IPART, be made public.
- The RTSA recommends a grain's industry planning and co-ordination group be established, similar to the WA Grain Industry Group model, with Transport for NSW leadership to oversee the redevelopment of regional branch lines.

Yours sincerely,



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