

**July 2015**

### **Submission to Legislative Council enquiry into Tasrail 2015**

In reference to the above inquiry Future Transport Tasmania (FTT) would like to submit the following to the committee:

Future Transport Tasmania is a community group with non-financial members across the state.

FTT finds that the terms of reference contain unusual wording which appear either designed deliberately to mask intent, or to have specific negative assumptions. On this basis, FTT submits that it may not be possible for this inquiry to produce an objective set of recommendations. FTT will refer to these issues within this document.

FTT is not in a position to fund financial or economic studies and is therefore unable to offer advice or comment on specific financial arrangements of Tasrail. However, FTT believes that a review of the relevant history of the Tasmanian Railways would be prudent, so as to ensure that the committee members are fully conversant with the current situation. This is because past events have had a direct bearing on the present circumstances.

#### **A Brief History of Tasmania's railways**

Tasmania's main line from Hobart to Launceston was originally constructed by a private company owned by investors in London. In an ironic twist of repeating history the Tasmanian Main Line Railway Company was purchased by the Tasmanian Government after a string of derailments and complaints.

The Tasmanian Government Railways (TGR) ran at a loss for virtually its entire existence. We wish to caution the committee that this financial position however does not necessarily reflect the full benefits provided by rail services that existed over that time.

Ownership of the TGR was transferred to the Federal Government after an offer made by the then Prime Minister Gough Whitlam, who wanted to bring the entire national railway network under the control of one body, the Australian National Railways. However, only South Australia and Tasmania accepted the offer.

Ownership of the TGR passed to the Federal Government in 1975, however operational control did not take place until 1978. TGR became part of the Australian National Railways Commission, and was later renamed Tasrail. The TGR's existing debt was wiped as part of the transfer of ownership. FTT does not know if Commonwealth funding was required to remove this debt.

In 1978 the last passenger train operated by the TGR, the Tasman Limited, ceased running.

The last new locomotive purchased for Tasmania was ordered by the TGR and arrived in 1976. No new locomotives have been purchased by any operator since, until the Tasmanian State Government-owned Tasmanian Railway Pty Ltd (Tasrail) ordered seventeen new locomotives in December 2011. From 1980 to 2010, over one hundred second-hand locomotives have seen service on Tasmania's railways (not all at the same time), almost all of which were older than the newest locomotives previously purchased for the TGR.

The National Rail Corporation was created in 1992 to operate the interstate rail lines on the mainland. Its creation severely dented Australian National (AN)'s profits and after the Howard Government took power in 1996 AN was sold. Australian Transport Network, a company largely owned by the Wisconsin Central Railroad of the USA, purchased the Tasrail portion of AN.

Shortly after this, ATN purchased the Emu Bay Railway from Pasminco Metals.

Under ATN, Tasrail made a profit for the first time in the history of the Tasmanian Railway system. It could be argued that this was due to the additional profits from the Emu Bay mineral haulage.

After Wisconsin Central was purchased by the Canadian National Rail company, investment in Tasrail stopped. ATN was then purchased by Pacific National (PN) in 2004.

In 2005 PN closed the NE line to Scottsdale.

It became very clear that PN was not interested in any further investments into its Tasmanian railway operations, publicly requesting State and or Federal government financial support to ensure that its operations could continue. This was seemingly at odds with its own procurements on the mainland of Australia, with hundreds of millions of dollars being invested into new operations in Queensland at the same time. However the case that PN made, that being that the below-rail costs should not be completely borne by PN, was valid, as this would match the circumstances on the mainland.

In 2008 ownership of the track passed back to the Tasmanian Government, with the exception of the former Emu Bay line (now referred to as the Melba line), which had never been government owned.

Despite this, it proved difficult for the State Government to arrange for the renewal of the now badly degraded right-of-way. PN continued to posture over its financial situation and a series of costly derailments occurred, including one which closed the main line between Hobart and the north of the state for six weeks. Not long after PN threatened to terminate operations on the Melba line due to a dispute over the loader at Burnie port. After a few months of tense negotiations, Tasmania's railways returned to state-owned hands in November 2009, after a combined period of forty one years of Federal Government and private ownership.

In that time the Tasmanian railway network shrank from over 1100 kilometres of operational track to just 611km (with another 232km non-operational). In the drive for efficiency the number of employees shrank from over 1100 (around one per km!) to less than 300. The amount of freight carried has altered over the years but is currently approximately two and a half million tonnes per annum, approximately 27% of the total freight task in Tasmania.

### **Tasmania's Neglected Railways**

Over the forty-one year period that Tasmania's railways were not owned or controlled by the state, it is hardly surprising that the interest in rail transport by the state government has been negligible. Even while the Federal Government owned Tasrail, the priority for funding has always been for roads before rail.

From the very beginning, where a private company constructed Tasmania's main line from Hobart to Launceston on the cheap, rail has been behind. Even now Tasrail's new locomotives and wagons are

running on this 19<sup>th</sup> century piece of infrastructure, while being expected to compete with trucks running on a 20<sup>th</sup> century highway that already has over \$500 million worth of upgrades planned.

From 1978 to 2009, the amount of maintenance spent on the railway lines themselves gradually deteriorated until the number of derailments reached a crisis point. It is clear that this occurred partly due to the owners trying to cut costs, but this would never have occurred in the first place if the sale of the railway had been managed properly, with strict caveats on the required maintenance standards.

During that time, as mentioned above, only second-hand locomotives entered service during that time. Some were intended as a stop-gap and several only saw limited service due to their already poor condition. Thus Tasrail continued to have a fleet of locomotives and rollingstock which required constant and intense maintenance. Because of their age, the locomotives were far less efficient, thus increasing fuel costs as well as being noisier, less powerful and with greater emissions than modern locomotives.

It is clear to FTT that this neglect over a long period of time, partly caused by political decisions made back in the 1970s, but also due to political decisions during that time, that has left Tasmania with no choice but to invest in TasRail in order to return the railway to a capability that our economy requires.

### **Financial Viability**

In regards to point 1, FTT is not in a position to offer comment on Tasrail's financial position. We are a community group, and we are unable to provide expert financial advice or comment on the specific financial circumstances of Tasrail.

Likewise FTT is unable to offer specific comment on the financial viability of Tasrail in relation to the traffic carried and the various lines that Tasrail operates on. Nor can we advise of projected costs or any return on investment in relation to any specific project.

FTT notes that Tasrail has as of writing released a report entitled **Tasrail – Delivering Value For Tasmania**. FTT believes that this report does answer many of these financial questions and we feel that there is nothing further to this report that needs to be added to here.

### **The Social, Economic and Environmental Benefits of Rail**

FTT notes that in the terms of reference the words 'if any' were added in parentheses. This addition causes us great concern regarding the objectivity of this inquiry. It seems to this group as though the authors were either ignorant or wished to be dismissive of the possibility that there are any such benefits in rail transport. On this matter we cannot be more blunt: There are benefits of one kind or another in all types of mechanised transport, to suggest that there may be none in even one of them is an obviously false statement.

Furthermore, the point requests information so that rail may be compared to road and other surface transport modes. This statement also causes us great concern, as it is clear that there can be no comparison with "any other surface transport modes", as after road transport is considered, the only remaining options are horse-drawn transport, or bicycles and pedestrian! FTT wishes to make it clear that this poorly worded term of reference also provides significant doubt to FTT that the authors are concerned with providing an objective set of recommendations from this inquiry.

To respond to this point of the inquiry, FTT will refer to a study completed in 2011 by the Australasian Rail Association (ARA), entitled **The True Value of Rail**.

In the true value of rail the ARA identified several key differences for rail in comparison with road transport. In every facet it is rail which has a superior performance. See references.

The summary of key points of the report are as follows:

- One passenger train can take 525 cars off the road. This is 3.2 million vehicle km annually or 1000 trips from Sydney to Perth.
- The average freight train takes 110 trucks off the road. This reduces truck movements by around 49.7 million truck kilometres a year.
- One passenger train reduces accident costs by an amount that could fund 130 hospital visits, 505 hospital beds per day, or 6 doctors for one year.
- In one year, one passenger train reduces carbon emissions by the same amount as planting 320 hectares of trees per year, an area greater than Melbourne's CBD.
- In one year, one freight train travelling between Melbourne and Brisbane reduces carbon emissions by the same amount as planting 600 hectares of trees. One freight train in place of trucks between Melbourne and Brisbane reduces carbon emissions by the same amount as a household of 3 people going without electricity for 43 years.

FTT notes that approximately 24% of Tasmania's carbon emissions are transport related.

Rail is significantly safer too. Australia has an average of 1500 road fatalities and more than 30,000 road injuries costing Australia approximately \$35 billion annually. In stark contrast to rail, which has 37 fatalities and 130 injuries per annum, being the safest form of land transport of all.

In terms of costs, it must be clearly understood that the maintenance costs of heavy vehicles are not recovered from existing charging systems. Under-recovery of these costs has been estimated at between \$7000 to \$10,500 **per truck** per year (Productivity Commission 2006 and NTC 2006).

FTT would like to highlight that until recently, rail transport was never considered in terms of its full economic benefits. These wider benefits, road maintenance, reducing congestion, carbon emissions safety (as highlighted above), and many others, were not taken into consideration when various railway administrators closed railway lines due to 'unprofitability'. FTT contends that it is quite likely that in many cases, what used to be seen as unprofitability was in fact merely lazy and or inept administration. In many cases, particularly in Tasmania, the result of closing railway lines has caused regional roads to be excessively damaged by heavy freight vehicles, and imposed increased transport costs on users. Unfortunately it is impossible for us to be able to quantify these costs other than that we can be certain they exist, and have never been considered. The mere suggestion that heavy vehicle costs are not being recovered highlights this ongoing disparity between rail and road.

In summary, whilst not all of the above figures from the ARA **True Value of Rail** report are fully relevant to Tasmania, nonetheless they highlight the massive difference in the capability and capacity of rail versus road. Even when the smaller quantities of freight and shorter distances that exist in Tasmania are taken into account, rail will still have the advantage, even if it is reduced. For example, it is unlikely that freight trains would ever be required to be the length of an interstate intermodal train such as those that currently transit the line between Melbourne and Brisbane. Nonetheless Tasrail still has the capacity to put over one hundred containers on a single train, which would require at least thirty-five B-double trucks to equal. FTT asks the committee to consider the costs involved in such a duplication.



A restored steam locomotive at the Tasmanian Transport Museum in Glenorchy. Currently restricted to running along a short piece of track.

### **Commuter and Tourist Passenger Rail services**

*The opportunities and barriers, social economic and environmental benefits and the opportunity cost of foregone road infrastructure with regard to commuter and tourist passenger rail services*

In relation to rail proposals that currently exist, FTT merely notes that due to the existence of the railway line between Bridgewater and Hobart, it is possible for Tasmania to easily and cheaply introduce a commuter rail service between Hobart and the Northern Suburbs. Whilst this proposal has received a significant amount of attention and discussion, FTT would like to highlight that there is not one single transport project that has been proposed that can achieve all of the benefits that the Northern Suburbs Railway can achieve, for the same or even twice that cost. It is this opportunity cost that seems to be continually forgotten. All of our road transport alternatives are going to cost us more, and provide us with fewer benefits. FTT does not believe that it is a coincidence that the net-cost benefit analyses for road projects in Tasmania are not made public (if they are completed at all).

FTT also notes that according to the ARA, trams can transport up to 10,000 people per hour in one arterial traffic lane that would otherwise only move 800 cars.

The barrier to any passenger rail project is very simple, and that is simply the priority of government spending. To suggest that there is no money available for such projects is in fact acknowledging a choice that has been made. FTT contends that there has never been any thorough and comprehensive analysis conducted into the full net-cost benefits of the policy of road construction in Tasmania. Despite this lack of analysis, large and expensive road projects have and continue to be approved by governments. The opportunity to make a different choice is always there.



## The Midland Highway

In relation to the above point, FTT has examined the proposal to widen the Midland Highway between Hobart and Launceston to a continuous four lanes. The money to be spent by the incoming State Government in 2014 was announced at \$400 million. Currently \$500 million is allocated, to be spent over ten years, for a series of improvements on the Midland Highway, which will include adding the additional lanes for parts of the total distance. Other safety-related improvements are also included. As we have previously noted, no business case for these improvements has been published.

FTT believes that in order to effectively determine whether or not this cost is fully justified, alternative measures should be considered. FTT submits that the only true alternative (as opposed to inaction) is a high-speed rail connection between Hobart and Launceston.

FTT readily admits that such a connection has a high once-off capital cost by comparison to road upgrades which can be gradually introduced over time. However, a critical look at the cost of road projects in Tasmania revealed that the cost of the dual lanes could blow out to an enormous final sum.

Our extremely rough estimate for the final cost of the four-lane highway project is a minimum of \$3.2 billion with a possible maximum of \$4 billion.

This is based on the estimated costs of the Bagdad bypass (\$300m), the Bridgewater Bridge (\$750m), the Perth to Breadalbane section (\$70m for approximately 6km) plus the distance from Perth to Bagdad (140km – our estimate \$2 billion).

The Perth to Bagdad section of the Midland Highway does of course already have some four-lane sections. However based on the per-kilometre cost of previous projects (approx \$15-20m) it seems impossible to believe that it would be much less than \$1.5 billion, and could easily be much more. To achieve a cost of \$1.5 billion for the 140km Bagdad-Perth section would require the cost per km to be \$11 million. Inflation and unforeseen future additional costs make this assumption more than generous, therefore we have assumed \$14 million per km to get approximately \$2 billion for that section. Adding the Bridgewater bridge and the Bagdad bypass gets us to \$3.2 billion.

Information for the cost of various highway projects was gleaned from the submission to Infrastructure Australia made by the Tasmanian State Government in 2011. An audit of the Kingston bypass found that there had been a 23% blowout in the cost of the project. Clearly if that were to happen to the Midland Highway improvement project then we will be looking at a significant impost on the financial resources of the state.

The benefits for this improvement might initially appear to be significant. Safer overtaking implies safer roads. Safer intersections also suggests the same benefit. A new road surface would also reduce the initial maintenance costs. Higher average travel speed also carries a benefit.

However, FTT disputes the cost-benefit of this proposal. Whilst it may be justifiable to spend money to improve safety, in particular at dangerous intersections, FTT contends that spending money to increase

overall travel speed and improve the ability of faster vehicles to overtake slower ones may not even be an overall benefit when measured against the cost. Furthermore, as we have already noted, there is no published net-cost benefit analysis available to determine if this assumption has any validity at all. It may even be that higher travel speeds may result in a greater number of high speed crashes. FTT notes that although approximately ten percent of all fatal vehicle crashes in Tasmania are head-on crashes, clearly not all such are on this section of road, and reducing the level of this type of incident may be counteracted by an increase in other types of crashes. FTT also notes that one of the worst black-spots in Tasmania is on the Bass Highway on a four-lane section. FTT submits to the inquiry that four lanes do not guarantee any level of reduction in serious road crashes.

Therefore FTT can only conclude that the only reliable benefit of the four-lane Midland Highway will be a decrease in average travel time for road users in cars who wish to travel at the maximum permissible speed limit. FTT does not know, thanks to the lack of a business case study, what this decrease may actually be.

FTT then investigated, on an equally broad scale to the road costs, the possible cost of a high-speed passenger train service from Hobart to Launceston. There was never any doubt that such a project would be expensive. Inevitably we had to make some assumptions.

Based on a cost per track kilometre of \$37 million a Sydney to Canberra high speed train would be approximately \$10.8 billion. The fastest train in Australia currently, Queensland's electric Tilt Train, holds the Australian Rail Speed Record of 210km/h, and runs on the same gauge track as Tasmania, 1067mm.



The Australian Rail Speed Record Holder, the Queensland Electric Tilt Train, at Brisbane.

In order to introduce such a service the following would be required:

- Track upgraded from Nala (Andover) to Launceston, with heavier rails, new sleepers etc.
- A new deviation to enable higher speeds at Andover.
- A new deviation or series of deviations or a complete realignment of the line between Rhyndaston and Tea Tree, also with heavier rails and new sleepers (approximately 30-40km).
- High speed tilt trains and new stations.

We therefore assumed:

- 45km of new rail alignment at a comparatively high \$30m per km: \$1.2billion
- 165km of new rail at \$2m per km: \$330 million (note that Tasrail requested just \$55m for relaying approximately 290km of track in 2010).
- New stations at Hobart, Launceston and a central crossing point: \$50 million
- Two high speed diesel trains with four power cars and four carriages: \$200 million

Miscellaneous costs: \$20 million

**Total: \$1.8 billion**

Note that our final Midland Highway cost was **\$3.2 billion**. Almost twice the cost.

Unlike the highway, a fast rail service would provide the following benefits:

- It would guarantee a reduction in road crashes, due to the reduced road use.
- It easily beats the biggest benefit of the highway – a fast train could cut the average journey time from Hobart to Launceston almost in half.
- Enables reduced heavy vehicle use due to freight rail's increased competitiveness.
- Guarantees a reduction in carbon emissions.
- Connects communities (highways are noted for many things, but bringing people together is not one of them).
- Closes the gap to Tasmania's largest two centres, a total population of approximately 350,000 people.
- Reduces Tasmania's oil price vulnerability.

We have no doubt that some of these benefits as listed above would be relatively small, particularly by comparison to the capital cost invested. However, the salient point is that these benefits *will not even exist* with the highway project, which over the long term will cost this state much more.

Many people have also suggested extending a fast train to Devonport and or Burnie. FTT does not believe such a service would be viable in the foreseeable future, mostly due to the much more limited population in these areas, but also because a significant portion of the highway connections to these centres is already four lanes.

### **Tourism**

There is no doubt that heritage and tourist trains can provide a benefit to the local economy. There is also no doubt that until recently Tasmania's railway network was not adequate for running passenger heritage vehicles. Not being a preservation society FTT is not fully conversant with the requirements and standards necessary for such operations but we believe that given Tasrail has progressed successfully with the rejuvenation of its network, that there should now be few impediments for the return of heritage trains on Tasrail's tracks. It is unfortunate that with the closing of the Hobart to Bridgewater section of line in June 2014, it is now impossible for any trains to run into Hobart and return northwards. Thus Tasmania is missing out on the opportunity to provide a tourism experience on rail, with only the West Coast Wilderness Railway at Queenstown currently operating regularly. FTT supports the ability of all heritage groups to run on the main line, as these events can not only increase tourist numbers but will in themselves help local communities which heritage tours might visit. Eventually it is FTT's hope that a dedicated modern passenger train could be introduced that travels from Hobart all the way to the West Coast (and return), thus encompassing as much of Tasmania's magnificent scenery as possible.



Two of Tasrail's new TR class locomotives at Brighton

## Conclusion

There is no doubt that rail transport and Tasrail in particular provides a significant benefit to the Tamarian economy and its people. To ensure the future growth capacity of the transport network it is clear to FTT that rail deserves a greater share of the funding priorities than it currently receives. It is also clear that political choices have been responsible for previous decisions, and that these have not been based on any economic analysis or even on popular opinion, but on a mistaken ideology. FTT applauds the decisions made in recent years to take back responsibility of the State's railways, and to re-invest in rail. However FTT does not want to see decision-makers become complacent, but rather look for new growth opportunities that exist.

For and on behalf of Future Transport Tasmania

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## References:

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Australasian Railway Association "The True Value of Rail"

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