

Submission to Legislative Council of Tasmania Government Administration Committee A into the financial sustainability of TasRail

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The submission will be of a general nature with some attention to "the social, economic and environmental benefits of rail transport (if any) compared with road and other surface transport modes". The submission also updates an edited version of an October 2008 Submission to Infrastructure Australia re Tasmania, road pricing for heavy trucks and reservation of bulk freight to rail, and also refers to the recent report "*TasRail – Delivering value for Tasmania*".

The submission is based on research conducted at the University of Wollongong. However, it does not necessarily reflect the views of the University.

In summary, it is submitted that Tasmania should retain its rail system and work to get more freight onto rail, whilst encouraging the use of tourist passenger trains. When the Tasmanian rail system in 1978 was taken over by the then Australian National Railways Commission, it was in a very rundown condition. The submission demonstrates that privatisation of the Tasmanian rail system in 1998, whilst initially looking good, was a failed experiment.

As noted below, as far back in 1987, the now Bureau of Transport and Communications Economics (BITRE) reviewed Tasrail. It was reviewed again by this Bureau in 1991 who then found, inter alia,¹ that "*A full or partial closure of Tasrail would further increase heavy truck volumes and this would, among other things, accelerate road damage. It is estimated that closure of Tasrail would affect 967 kilometres of road sections and result in increased road reconstruction and maintenance costs. ...*" This 1991 report went on to conclude in part "*On balance the social cost-benefit analysis suggest that society would benefit from retention of Tasrail. However, the full realisation of potential benefits available would depend on a restructuring of Tasrail...*

The restructuring has largely taken place, and some further track upgrading is now in order. To close the system now would add to road maintenance costs, increase total transport costs along with road crashes and emissions, and detract from Tasmania as a tourist destination.

¹ : *The future of the Tasmanian Rail System*, Report 69, 1991 (pxvi) The future of the Tasmanian railway system: A cost-benefit assessment of options.

1. An earlier assessment of the condition of the rail system

On page 8 of a 2007 AusLink Tasmania Draft Strategy, it was noted, in part:

"Tasmania's rail system was designed in the late 1800s and has changed little. ... The rail Network has recently returned to Tasmanian Government ownership, following a period of private ownership through a leasing agreement. Prior to that, the rail network was owned and operated through various government bodies. Historically, rail market share was protected by regulation and the infrastructure received little investment to improve productivity. Between 1976 and 1993, \$45 million was spent on track and bridge upgrading.

"Over the same period there was significant public and private investment in road productivity. As a result of this historic under-investment, much of Tasmania's rail infrastructure and rolling stock is considerably aged and inefficient. The overall condition of the rail infrastructure is poor. There are:

- * a range of significant temporary speed limit restrictions across the network;
- * limits on train length due to tight curves;
- * haulage limits due to aged infrastructure, track gradients and rolling stock limitations; and
- * inefficiencies at railheads/intermodal terminals within the ports that increase rail turnaround times."

The statement that *"the overall condition of the rail infrastructure is poor"* is a real understatement. An inspection by this writer in February 2005 revealed the network had a permanent 60 km/h speed restriction over the entire network plus numerous speed restrictions around tight radius curves and older bridges. The 60 km/h restriction applies to all trains at all times on all sections of track. On each line (with the possible exception of the relatively new line to Bell Bay) there was no shortage of Temporary Speed Restrictions reflecting a variety of problems. The axle load limit is 18 tonnes as against 25 tonnes on mainline track in mainland Australia or 30 tonnes in the coal lines of the Hunter Valley of NSW. The track is clearly substandard.

From when the Federal Government sold Tasrail (operated by Australian National) in 1997 to 2007, Federal and State assistance to the Tasmanian mainline track was very small when compared to that to restore the Queenstown to Strahan railway as a tourist venture. As a result of the track being in poor condition prior to 1997 and little financial assistance since 1997, and other factors, the condition of the track was substandard in 2007.

The Tasmanian rail track has since seen some upgrading. It is suggested that although this investment is welcome, more is needed. By way of example, it is this writer's understanding that the rail bridge over the River Jordan is an old 19th Century wooden structure.

As noted in a c2007 Southern Tasmania, National Transport Network Investment Program 2007-2015

"Rail The Government's decision last year to assume ownership of the rail network, investing \$40 million in rehabilitation of rail infrastructure, was critical to ensure the

continuation of intermodal rail services. **If rail is to increase its share of the State's freight task, further improvements are needed.** (emphasis added)

"There is a high proportion of contestable freight along the north-south freight corridor, suggesting efficiency improvements that: reduce turnaround times, enable industry to locate close to the rail network and increase carrying capacity, would support a greater modal shift to rail. The use of rail to transport logs from the southern forests to the proposed pulp mill and other processors will see a significant reduction in log trucks on the public road network, but will require upgrade of the rail network to cater to this task.

"The greater use of rail in catering for Tasmania's freight task will contribute to improved road safety outcomes; reduced road maintenance costs; and lower cost transport options for Tasmanian business."

As noted "*If rail is to increase its share of the State's freight task, further improvements are needed.*" By way of example, if a container is to be moved by land from Burnie to Hobart, it can either be moved by articulated truck or rail. If the container is moved by truck, it goes over a road that since 1974 has been fully funded by the Federal Government as Tasmania's part of the National Highway System. Since then to 2007, in 2007 dollars the Federal Government has outlaid an estimated \$750 million or more on this road (an amount far exceeding the federal government's outlay on road in Tasmania).

2. Tasmanian Rail Privatisation - a failed experiment, and the rail freight task

In 2014, a Productivity Commission report on Tasmanian Shipping and Freight raised the option of rail privatisation and cited (page 192 of the PC report) "... the Tasmanian Government's clear position that none of its freight or freight-related assets are up for sale. (sub. DR85, p. 14)".

Further support to retain TasRail in public ownership is by way of a 2013 paper (of this writer) *Government rail asset sales, and return to the public sector, in New Zealand and Tasmania* Research in Transportation Business and Management Vol 6 p 116–122. Parts of this paper appear in Appendix A.

The paper strongly suggests that certain low traffic railways, such as the Tasmanian rail system, may be better retained in public ownership, with conditions to ensure efficient and competitive operations.

In addition, the paper gives support, on the basis of earlier studies, for retaining a rail system in Tasmania.

The Productivity Commission's report on Tasmania notes (page 177) that rail accounts for a relatively small share of the Tasmanian land freight task — 18 per cent on a tonne kilometre basis in 2011-12.

The 2015 report "*TasRail – Delivering value for Tasmania*" notes in recent years, rail has a 22 per cent share of the Tasmanian land freight task with the potential to grow, but taking up more contestable freight, to a 27 per cent share.

3. Road crashes and other external costs

The most significant potential impact of road haulage of freight is a fatal crash involving a heavy truck. The Australian Bureau of Statistics (ABS) Survey of Motor Vehicle Usage (SMVU) data notes that in Tasmania, during 2004, articulated trucks drove 142m km which was 3.1 per cent of the distance driven by all vehicles (4561m km).

For 2004, data from the Australian Transport Safety Bureau shows that there were four fatalities in road crashes involving articulated trucks in Tasmania. This is 7 per cent of the 58 road fatalities that year. In the 17 calendar years to 2005, the corresponding percentage was 7.3 per cent (70 involving articulated trucks, 964 all vehicles). It is apparent that articulated trucks are over-represented in Tasmanian fatal road crashes.

The average unit cost on a national basis of road crashes involving articulated trucks was previously estimated by the writer² as 0.6 cents per net tonne km (ntkm) whereas the average unit cost of rail freight accidents is estimated at 0.03 cents per ntkm. The ratio is about twenty to one. This ratio is higher than that claimed by the 2015 report "*TasRail – Delivering value for Tasmania*" - however, this report has higher unit values than quoted above.

Other external costs identified in a 2001 Australian Rail Track Corporation (ARTC) Track Audit³ are air pollution, noise, road congestion, and greenhouse gas emission costs along with un-recovered road system costs. Further information is given in Appendix B. This shows revised unit estimates as year 2000 values of 2.75 cents per ntkm for road haulage in urban areas, 1.98 for road haulage in non - urban areas, 0.43 for rail haulage in urban areas, and 0.17 for rail haulage in non - urban areas.

These costs were also canvassed in the 2012 report by Independent Pricing and Regulatory Tribunal of NSW (2012) *Review of Access Pricing for the NSW Grain Line Network*. The review (page 33-35) gave two sets of values for external costs for road and rail freight with the higher value unit costs (that include an allowance for unrecovered road system costs) from articulated trucks of one cent per net tonne kilometre (c/tkm) are, in non-urban areas: road freight 2.79 c/tkm - rail freight 0.24 c/tkm.; and, for haulage in urban areas road freight 3.88 c/tkm - rail freight 0.61 c/tkm.

For a container weighing some 20 tonnes being moved by an articulated truck from Burnie to Hobart, a distance of about 320 km, the road freight task is 6400 net tkm. Using estimates of unit external costs in the 2012 report terms and assuming haulage of 25 km in urban areas, **the indicative hidden subsidy is about \$184 per container.**

That is, about \$9 per tonne. The rail freight external costs for moving this container, even with road pick up and delivery, would be much less than this amount.

The 2015 report "*TasRail – Delivering value for Tasmania*" notes an forecast 2015-16 Tasmanian rail freight task of 521 net tonne km. If this was to be all diverted to road, the external costs of the extra road freight, on the above estimate (assumed all non urban), would

² Laird (2005) *Revised Land Freight External Costs In Australia*, Australasian Transport Research Forum (ATRF) at patrec.org

³ ARTC (2001) Booz.Allen and Hamilton Appendices *Interstate Rail Network Audit*

be about \$14.5m. The offsetting reduction in rail freight external costs would be about \$1.2m.

The adverse impacts of road transport are often understated and external costs are often overlooked. This is despite the attention given to external costs as part of the AusLink project assessment in the *National Guidelines for Transport System Management In Australia* released in November 2004 by the Australian Transport Council (Vol 2, Project Appraisal, page 87) - updated 2006, and due to be updated in 2015.

The negative impact of extended haulage of bulk commodities, including forest products, on public roads to both local amenity and tourism is well known. The impacts were well summarised by a NSW Coal Development Strategies Industry Task Force (1990, page 59): *"Road haulage has significant community costs including noise and dust pollution, increased energy usage, increased road maintenance, safety hazards, negative effects on tourism and complaints from local residents"*.

4. Various Western Australia initiatives

In Western Australia (Appendix C) as noted on 15 August 2006 by Planning and Infrastructure Minister the Hon Alannah MacTiernan MP, a new \$30m facility would cater for plantation timber and woodchips, resulting in a big reduction in road freight. Of particular interest is that the WA Chip and Pulp Co. Pty Ltd (WACAP) will contribute \$8m for construction of: log loading infrastructure and associated works at Bunbury Port at a cost of \$6.71m; and, construction of a rail siding at the Port of Bunbury at a cost of \$1.3m.

On 8 May 2007, the Hon. Alannah MacTiernan MP at the Rail Infrastructure Conference in Sydney gave a critical assessment of the Productivity Commission's freight report; also that rail needs to retain a 'critical mass' of freight on a given line to allow for its retention, and, that road pricing for heavy trucks can impact on rail freight tonnages.

On 14 June 2007 Ms MacTiernan announced that the WA Government will regulate the haulage of woodchips and logs in the South-West to ensure that the movement of timber products by rail destined for the Port of Bunbury is economically viable. To quote from her Media Release of that day *"We want to provide the best balance between road and rail freight, to ensure the impacts of freight on communities are minimised and that valuable rail infrastructure is not lost,"* Ms MacTiernan said.

"Without some regulation, it is clear it will be impossible to keep important rail infrastructure in operation....So far the State Government has committed \$14.45 million total funding for infrastructure with the intention of working in partnership with industry to ensure rail is competitive with road transport. This investment is intended to provide for the movement of about seven million tonnes of plantation woodchips and logs transported by rail in the South-West over the next 10 years. ...

"However, it was proving impossible for the timber companies and the rail operators to reach agreement on a realistic price because of the amount of product being lost to competitors using road transport."

It is suggested that a similar approach using rail investment and regulation may well be warranted for Tasmania for the movement of significant quantities of bulk commodities, and

any subsidized scheme for moving freight between Tasmania's northern ports and Hobart.

5. Other issues

The Bureau of Transport and Communications Economics (BTCE) has reviewed Tasrail at least twice. From one such review, *The future of the Tasmanian Rail System*, Report 69, 1991 it was noted (pxvi) that *“A full or partial closure of Tasrail would further increase heavy truck volumes and this would, among other things, accelerate road damage. It is estimated that closure of Tasrail would affect 967 kilometres of road sections and result in increased road reconstruction and maintenance costs. ...”*

In part conclusion *“On balance the social cost-benefit analysis suggest that society would benefit from retention of Tasrail. However, the full realisation of potential benefits available would depend on a restructuring of Tasrail....Broader social costs of closure which have not been evaluated in the cost-benefit analysis, also appear to add weight to the conclusion that Australia would be better off by retaining Tasrail. These costs include those imposed on redundant Tasrail employees unable to find work and on their families and the deleterious environmental consequences of noise, pollution, vibration and traffic volume caused by the increase in the number of heavy vehicles using the roads.”*

One constraint on the effectiveness of the Tasmanian rail system in serving interstate trade is that it is a different gauge to the gauge used for interstate rail freight on the mainland of Australia. This precludes the operation of roll on- roll off wagons such as are used between the North Island and the South Island of New Zealand, and in many other countries. To overcome this handicap, it is necessary to ensure that port - rail interfaces are efficient, also that Hobart has an adequate rail freight facilities. The alternative is more interstate freight with Tasmania as an origin or destination ending up being line hauled on Tasmanian roads.

Before New Zealand Railways (NZR) was privatised in 1993 and sold to TranzRail Holdings (TRH) the intercity rail track had been extensively upgraded. Their intercity highways remain as mostly two lane roads. NZR, TRH and now the current operator Toll NZ adds value with road pick up and delivery of freight, and runs ferries. In addition, New Zealand heavy truck operators since 1978 have had a system of ‘user pay’ road user mass distance charges. For the heavier articulated trucks hauling long distances each year, these charges were about three times higher than current National Transport Commission charges.

Tasmania's rail freight task is small. New Zealand at about 4 billion tonne km is also small. Despite the advantages as listed above for rail freight in New Zealand as compared to Tasmania, the New Zealand government has committed to invest over \$200 million in rail track. A similar order of investment is probably required for Tasmania.

6. Oil vulnerability

It should be noted that rail is some three times more energy efficient than road for the movement of general line haul freight.

As noted by the 2013 Queensland Moving Freight strategy document (Transport and Main Roads, December 2013) on page 28 in a subsection " Oil vulnerability"

"Oil vulnerability will drive the need for the freight system to adapt to alternate sources of energy, explore more efficient supply chain models and exploit the use of

technology. Australia is a net importer of crude oil and currently imports 30% of its refinery feedstock. Furthermore, Australian refineries produce around 62% of locally consumed diesel fuel, the remainder is imported.

"Freight transport and primary industry in Queensland is heavily dependent on diesel fuel and therefore transport and production costs are sensitive to international oil prices. There is continuing debate about when global oil will reach peak production. If this occurs sooner than predicted, the most likely result will be a steady increase in oil prices. The long-term sustainability of the freight transport sector will depend on its ability to manage the impact of international oil price volatility through increased operational and energy efficiencies."

This is relevant in considering longer term land freight scenarios. A further perspective was given in a 2007 AusLink Sydney Dubbo draft strategy (footnote on page 12 Foreseeable changes to 2030) as follows:

"Socio-economic and technological trends include increasing real per capita income, the rising real price of oil, the falling real price of cars, an ageing population, continuing strong preference for car use for private and commercial passenger transport although with a wider appreciation of the need to use sustainable transport modes – some of these trends encourage more use of cars, some less. Logistics trends point to more rather than less use of road transport for freight – in particular:

- the increasing requirement for full logistics services as opposed to line haul operations only;
- the increasing use of high productivity trucks for long haul freight, involving larger vehicles and new vehicle configurations; and
- the increasing adoption of new technologies to improve freight movement efficiencies in urban areas, such as electronic data interchange and real time freight tracking systems."

7. Conclusion

There is a role for rail in the movement of freight within Tasmania, and for the small traffic task on offer, this is best done by the public sector. More bulk freight and interstate freight bound to and from Hobart that moves through northern ports should be moved for the line haul through Tasmania by rail.

There is also scope to continue to improve the condition of the Tasmanian rail track to remedy the deficiencies identified in the 2007 AusLink document. This includes elimination of all temporary speed restrictions, and where traffic warrants, curve easing to lift permanent speed restrictions.

Regular passenger train services were once offered in Tasmania. It would be see more tourist passenger trains operating in Tasmania.

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APPENDIX A EXCERPTS FROM A 2013 PAPER *Government rail asset sales, and return to the public sector, in New Zealand and Tasmania* Philip G Laird Research in Transportation Business and Management Vol 6 p 116–122

4. Tasmania

When finally acquired in 1978 by the Australian National Railways Commission (ANRC), the Tasmanian Government Railways was a rundown system whose main purpose was to freight as passenger services were being eliminated. The ANRC's main challenge was to integrate the former South Australian and Commonwealth rail systems, and to improve operational and financial performance. This included reducing significant rail deficits. At an early stage, ANRC formed a TasRail unit to operate the Tasmanian rail system. The freight task, due both to limited tonnages and relatively short distances, was (and continues to be) small. As such, the question was often asked as to whether the entire system should be closed down, transferring all land freight to trucks.

This question was indeed addressed in two studies by the Bureau of Transport Economics (BTE — 1987, 1991)⁴. In each study, the conclusion was reached that after consideration of all costs, including that of the road system costs and of external costs, rail freight services were worth retaining in Tasmania. As noted (BTE, 1991, pxvi): “A full or partial closure of TasRail would further increase heavy truck volumes and this would, among other things, accelerate road damage. It is estimated that closure of TasRail would affect 967 kilometres of road sections and result in increased road reconstruction and maintenance costs ... On balance the social cost-benefit analysis suggest that society would benefit from retention of TasRail. However, the full realisation of potential benefits available would depend on a restructuring of TasRail...”

In addition, each of the two studies had recommendations for improving the efficiency of rail operations over some 787 km of track. This included the 1991 report noting a downward trend of rail deficits (from \$41.9 M in 1977–78 to \$16.5 M in 1989–90 with a freight task varying from about 0.24 btkm to 0.46 btkm).

The improved performance of TasRail by ANRC reflected (BTE, 1991, p1) “provision of modern locomotives (some purchased for Queensland Railways) and rolling stock, ... track rehabilitation, modernisation of maintenance facilities, ... changes in operating practices” along with a considerable reduction in staff numbers. As noted (BTE, 1991, p10) “The primary goal for TasRail is to achieve break-even by 1995–96, that is covering accounting costs including interest and depreciation.”

4.1. Sale and initial success

In 1995, due to an expanding role for the National Rail Corporation (NRC), ANRC's freight task was decreasing. In March 1996, after a change of federal government, a review of both ANRC and NRC was commissioned. The review, conducted by Mr John Brew recommended, in part, a breakup of ANRC with part privatisation and the formation of a Track Access authority. In respect of Tasmania, Brew (1996)⁵ in part recommended transfer of the Tasmanian railway system to private short line operators, or if this was not achievable, then transfer to the Tasmanian Government. Brew (1996, p58) also noted recent loss of

⁴ Bureau of Transport Economics (1987). The Tasmanian rail system: An assessment of costs and benefits. Bureau of Transport Economics (1991). The future of the Tasmanian railway system: A cost-benefit assessment of options.

⁵ Brew, J. (1996). Review of Australian National Railways Commission and National Rail Corporation

freight traffic from rail to road, and that “TasRail's current and projected operating results indicate that it is not a profitable business.”

The federal government then proceeded to sell TasRail along with two other parts of ANRC. This sale process required new legislation, and an inquiry by a Senate Committee (1997, para 7.41) which recommended that “before proceeding with the sale process, the government should develop a coherent land transport policy framework, taking into account financial, economic, social and environmental goals and recommending mid and long term investment programs for road and rail in all major corridors.”

During parliamentary debate, the need to improve the nation's rail system as well as the option of letting TasRail revert to the Tasmanian Government was canvassed. However, on 28 August 1997, agreements were signed including the sale of TasRail Pty Ltd (then a subsidiary of ANRC) to Australian Transport Network Ltd (ATN) for \$22 million, with operational railway land transferred to the Tasmanian Government with ATN granted a 50 year lease of the land (Australian National Audit Office, 1998,⁶ who also examined the sale process and made seven recommendations). The sale was completed on 14 November 1997, with the sale agreement committing ATN to a capital expenditure of \$20 M over a four year period.

ATN was formed by Wisconsin Central who held a one third interest in ATN, whilst TranzRail Holdings held a two thirds interest. Like TRH in New Zealand, ATN was initially able to grow the Tasmanian rail freight task. To assist with this growth, some locomotives were moved from New Zealand to Tasmania, and two lines were reopened.

As noted (Productivity Commission, 1999, p147), TasRail reported an operating profit for its first 7 months of operation, which was for “... the first time in 130 years.”

4.2. Ownership changes

In 2001, when Canadian National acquired Wisconsin Central, it then set out to dispose of its rail assets in Tasmania as well as New Zealand. The sale of the Tasmanian rail system took over two years, when it was acquired, in February 2004, by Pacific National, who formed Pacific National Tasmania (PNT). This acquisition was not opposed by the Australian Competition and Consumer Commission (2004) who in a statement noted that “the acquisition was unlikely to substantially lessen competition in any market ... (also) that there was only one significant freight rail operator in Tasmania, and that this would remain the case after the acquisition ...”

Later in 2002, the new owners acquired the privately owned Emu Bay Railway (the 130 km Melba line). However, by 2005, there were indications that not all was well with PNT. By then, the entire network had a permanent 60 km/h speed restriction, for all trains at all times, plus numerous speed restrictions around tight radius curves and over older bridges. On each line there was no shortage of temporary speed restrictions reflecting a variety of track maintenance problems. The axle load limit was 18 tonnes as against 25 tonnes on mainline track in mainland Australia or 30 tonnes on the coal lines of the Hunter Valley of NSW. The track was clearly substandard.

In October 2005, PNT announced that it would cease freight rail services in Tasmania

⁶ Australian National Audit Office (1998). Sale of SA rail, Tasrail and Pax rail.

(other than for cement from Railton to Devonport, a distance of 22 km, and minerals on the Melba line) unless financial assistance was provided by the Federal and Tasmanian Governments to upgrade the network (Tasmanian Department of Infrastructure, Energy and Resources, 2007)⁷. In addition, a 2005 study had found that “the forced shift of freight from rail to road in Tasmania as a result of rail services ceasing to be available would have resulted in: additional direct costs of more than \$17 million per annum to the Tasmanian businesses that rely on rail; externalities of more than \$6 million per annum; and additional road maintenance costs of over \$1 million per annum.”

Following negotiations, on 1 January 2007, the Tasmanian Government acquired all rail tracks (other than the Melba line) and below rail assets for the sum of \$1. At the same time, the Australian Government agreed to provide \$78 M to upgrade the Tasmanian Rail network as part of a Rail Rescue Package, and PNT agreed to provide above rail services on the network and upgrade locomotives and rolling stock along with making provision for any other accredited rail operator to use the network at agreed rail access fees.

4.3. Buy back

Following further negotiations and passage of the Rail Company Act 2009, the Tasmanian Railway Pty Ltd, trading as TasRail and owned by the Tasmanian Government, was established as a vertical integrated freight railway to operate rail freight services formerly offered by PNT. The purchase price was \$32 M, comprising \$26 M for locomotives and rolling stock plus workshops and other buildings and \$6 M for an ore ship-loader at the port of Burnie. In addition, the Melba line was also acquired, the Australian Government agreed to provide funding in 2013–14 amounting to \$126 M (for capacity improvement and capital upgrades) to supplement the \$78 M rail rescue package, and, the Tasmanian Government committed \$40 M over 10 years. ...

On 13 December 2011, a contract was signed for A\$607 M to acquire 17 new locomotives to replace the existing “life expired fleet” (TasRail, 2011, Tracking. (Issue 1)). In addition, two new rail intermodal freight services were started in 2012 and four locomotives were acquired from Queensland to meet this increase in business.

There is some way to go from “Rail Rescue” to that of a “Rail Resurgence” (TasRail, 2011, loc.cit.). However, the Tasmanian Government has a clear vision “for a viable rail network as part of an efficient land transport system.”...

TasRail (2012 Annual Report) reported in 2012 an impairment expense of \$31.7 M and a total comprehensive loss of \$36.3 M with its operations in moving some 2.34 m tonnes of freight during 2011–12, taking the equivalent of 100,000 B-Double (large) truck movements off the roads and reducing greenhouse gas emissions by over 46,000 tonnes. The loss is regarded by management as a turning point in rehabilitating rail in Tasmania.

However, as seen by an [then] opposition spokesman Hidding (2012, As quoted, TasRail posts big loss, Australian Broadcasting Corporation), which aptly summarises the Tasmanian rail situation: “If publicly-owned monopoly businesses lose money, how on earth are Tasmanian businesses in the private sector supposed to make a quid?”

⁷ Tasmanian Department of Infrastructure, Energy and Resources (2007). Declaration application to the National Competition Commission annual report.

APPENDIX B BRIEF COMMENT ON ROAD PRICING FOR HEAVY TRUCKS

A. There appears to be three notable broad groups of estimates for road system costs attributable to heavy trucks⁸:

- **Conservative or NTC** - as per the National Road Transport Commission (NRTC) and now National Transport Commission (NTC) various determinations.
- **Intermediate** - including the former Inter-State Commission findings⁹ during the 1980s, the 1990-91 Over-Archiving Group (OAG) recommendations and NSW permit fees for heavier semitrailers and all B Doubles in use to 30 June 1996.
- **High, or "user pays"** - including the Bureau of Transport and Communications Economics (BTCE) 1988 report¹⁰ noted in the draft report of the Productivity Commission, McDonell's methodology (NSW) (see for example¹¹), and ongoing New Zealand Road User Charges.

When announcing the NRTC first generation charges in 1992, the chairman, the late Gordon Amadee, conceded they would not be "user pays" as this would not be tenable¹². The costs to the NSW Government of implementing the then new NRTC charges (as of 1 July 1996) was over \$60 million per year and NSW annual permit and registration fees of \$12,650 a year in 1989 for an 8 axle B-Double were slashed to \$5500. With Consumer Price Indexation, the 1989 NSW B-Double fee would now be about \$20,500 pa. This is almost three times more than the current NTC's \$7426 pa for an 8 axle B-Double.

Subsidies are one reason why the number of large B-Doubles has grown so rapidly in recent years, as noted in the draft report of the Productivity Commission - up from about 700 in 1997 to more than 6000 now. The difference between road system costs attributable to articulated trucks under the 2005 NTC model and using Macdonell's Methodology is approximately \$1.5 billion per year.

A July 2008 NTC charge for an 8 axle B Double was \$8041.

B. New Zealand has had in successful use, since 1978, a system of mass-distance pricing for heavy trucks. These charges for the heavier articulated trucks hauling long distances are appreciably higher levels than the combined annual registration charges and fuel road user charges that apply in Australia. These were recently increased in July 2008, and for a 9 axle B-Double operating at 62.5 tonnes Gross Vehicle Mass with 22.5 tonnes on the prime mover and 20 tonnes on each of triaxle trailers would amount to \$NZ942 per 1000 km (taking the prime mover at the average of charges of \$452.03 for 22 tonnes and 523.33 for 23 tonnes plus \$227.19 for each trailer to 20 tonnes).

⁸ *Road pricing in Australia – too much or too little*, P Laird, Australian Road Summit, February 2007

⁹ Inter-State Commission (1986) Cost recovery arrangements for interstate transport, to (1990) Road use charges and vehicle registration: a national scheme Canberra

¹⁰ BTCE (1988) *Review of road cost recovery*, Canberra

¹¹ Laird PG *Freight transport cost recovery in Australia*, Australasian Transport Research Forum, Gold Coast

¹² Sydney Morning Herald April 13, 1992 "Recession puts truck plan off road."

From the above 2006 Productivity Commission report, a 9 axle B - Double hauling the 75 th Percentile distance of 227 500 km) in a year would pay \$34,200 and have, under the NTC's 'conservative' methodology, an allocated cost of \$57,200. Yet, the same B-Double in New Zealand would pay \$NZ214,305 in road user charges. Even allowing for currency conversion, GST, the New Zealand charges being current, and the NTC ones being c2005, there is a large difference. The ratio between New Zealand and Australian road user charges for a heavy 9 axle B-Double hauling long annual distances is at least four to one.

For heavily laden semitrailers hauling long annual distances, the ratio between the New Zealand user pays charges and the recent NTC charges are about three to one. The above cited 2006 Productivity Commission also gives figures showing that payments made by six axle articulated trucks do not meet NTC allocated costs.

C. **Externalities**, including air pollution in cities, and accidents involving both articulated trucks and freight trains have received some consideration. Although it is difficult to give robust estimates of the costs imposed on others, these costs are certainly present. These environmental and social costs are not all internalised and some 'polluter pays' and other charges are warranted with the proceeds being applied to infrastructure upgrades.

External costs a required part of AusLink project assessment in the *National Guidelines for Transport System Management In Australia* released in 2004 (and updated in 2006) by the Australian Transport Council. From Appendix 2, 2004, Default Externality Values follow for articulated trucks (for Austroads).

Externality	Urban	Rural	(Rail)
Air pollution (primarilydiesel)	0.87	0.0035	0.30
Greenhouse/Climate change	0.07	0.07	0.03
Noise	0.23	0.00	0.004
Water	0.01	0.00	0.005
Nature and landscape	0.33	0.003	0.068
Urban separation	0.20	0.00	0.069

All costs are in 2001 \$A, except water pollution 2002
Rail calculations are also given (in brackets).

C. More information by this writer

This is given in an Australasian Transport Research Forum (ATRF) Paper *Revised Land Freight External Costs in Australia* Sydney September 2005, by this writer. This paper outlines some estimates of external costs of land freight transport published in Australia since 1990. Further information is given in a 2006 ATRF paper *Freight transport cost recovery in Australia* and submissions to the 2011-12 NSW Independent Pricing and Regulatory Tribunal of NSW *Review of Access Pricing for the NSW Grain Line Network*.

**APPENDIX C Excerpts WA Planning and Infrastructure Minister
2006 Media Release 15 August**

The [Western Australian] State Government has today signed an agreement paving the way for \$14.45 million to be spent constructing the Greenbushes Intermodal Facility and other associated rail infrastructure.

Planning and Infrastructure Minister Alannah MacTiernan said the facility would cater for plantation timber and woodchips, resulting in a big reduction in road freight.

"Over a 10-year period, more than seven million tonnes of timber freight will be transferred from road to rail in the South-West," Ms MacTiernan said.

"The equivalent of 144 heavy haulage trucks will ultimately be taken off the region's roads every day."

The Minister said this was an innovative partnership between the State Government and WA Plantation Resources, Australian Railroad Group and WestNet Rail.

Ms MacTiernan said the project would see the upgrading of railway infrastructure and the construction of a new woodchip train loading facility at North Greenbushes.

"Under the initiative, woodchips processed at Manjimup will be trucked to the new train loading facility at North Greenbushes and railed to Bunbury Port for export," she said.

A new log transport rail service will be introduced to move blue gum plantation logs sourced from the Boyup Brook district.

"The logs will be transported by rail to Bunbury Port where they will be processed by the new WA Plantation Resources woodchip mill," Ms MacTiernan said.

....."This project is the first of its kind in Western Australia to involve a public/private partnership in a venture with privatised rail."

The allocation of funding will be as follows:

- WestNet Rail Pty Ltd - an upgrade of the track between North Greenbushes and Bunbury at a cost of \$6.44million;
- WA Chip and Pulp Co. Pty Ltd (WACAP) - construction of train loading facilities at Greenbushes, log loading infrastructure and associated works at Bunbury Port at a cost of \$6.71million; and
- WACAP - construction of a rail siding at the Port of Bunbury at a cost of \$1.3million.

"A key feature is that Government funds will be spent only on improving State-owned assets," Ms MacTiernan said.

.....Expected construction will begin in October with the facility due to start operating in mid-2007.