Submission to: Independent Pricing and Regulatory Tribunal

Title: IPART Paper – Issues and Recommendations

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Contents

1. Australian Trucking Association

The Australian Trucking Association (ATA) is the peak body that represents the trucking industry. Its members include the state and sector based trucking associations, the Transport Workers Union, some of the nation's largest transport companies, and small fleet owners and owner drivers.

2. Overview

The IPART committee has been commissioned to examine the future costs (next 5 years) of access for rail freight. It notes that COAG Road Reform Plan (CRRP) price reform will affect the projected access prices for rail. The CRRP determination will be vital to the grain industry, industry jobs in both road and rail sectors and in the bigger picture, the Australian economy.

While we support the IPART desire to find an effective pricing system for the grain rail line we have concerns over the methodology and source inputs to be used in its findings. We would like to encourage the IPART to consider our recommendations in order to have a successful project based on solid foundations.

The paper aims to find economic efficiency for the situation. This involves weighing up costs involved in both road and rail freight in order to come to a conclusion. The report also heavily relies on cost benefit analysis of what it is reviewing.

However impartial the paper sets out to be, the statement on the first page that "the cost of increased road traffic in the face of the closures is greater than if the lines were kept open" is not a proper examination of the situation based on broader evidence.

The report points out that the choice between road and rail, which is viewed as complementary modes in most cases, depends on a number of factors such as destinations, reliability, timeliness, cost, contractual arrangements, flexibility, and availability of train versus road.

While the report wants transparency in figures, we note that the statistics are either not published or will never be. For instance, access prices on access to some rail lines.

3. Recommendations

Recommendation 1

The ATA recommends the IPART note that the GIAC paper is not without its weaknesses, and we recommend the IPART gather their own data instead of using conclusions reached in the GIAC paper which may be unsound.

Recommendation 2

The ATA recommends the IPART note that due to cost recovery of truck impacts, investment in road haulage is far more prolific than that of rail investment, where the government is paying for the majority of its costs. The ATA also recommends the IPART note the selling of rail lines to monopoly owners does not indicate a better system of investment, as monopoly access can lead to price discrimination to customers and or asset decline.

Recommendation 3

The ATA recommends the IPART be aware the proposed COAG road reform project (CRRP) outcomes are not certain, and the ATA's view on the preferred outcome favours a fuel based cost recovery, not a mass-location-distance price as the CRRP proposes.

The ATA also recommends the IPART note the decision on rail access prices in an ideal world would not be affected, but as rail charges are pegged to road it is likely to be affected by any changes. Further, the ATA requests the IPART question why government money is still being spent on keeping unproductive lines open when cost benefit analysis indicates that costs outweigh benefits.

Recommendation 4

The ATA recommends the IPART note that Figure 2.1 in the IPART Paper is not factually correct, and an option of using a large combination vehicle from farm to port must be included in the model. The ATA also recommends the IPART accept the impact per 1000 tonne of B-double is mistaken in the report and the IPART needs to familiarise themselves with truck impact on infrastructure.

Recommendation 5

The ATA recommends that the over reliance on the GIAC report's data is not without scrutiny and the IPART should carry out their own investigations into access prices, full cost estimation and recovery costs. Further, the ATA recommends the IPART compile and present comparable data on road and rail access charges in order to understand how the road charges and an increase in rail charges interact which will affect the grain transport industry.

The ATA also recommends that more data than is presently being made available in the IPART paper is obtained.

4. Past Papers

The IPART paper bases much of its finding on its previous papers, the NSW Grain Infrastructure Advisory Committee (GIAC) is one significantly relied upon. The GIAC paper examined the viability of keeping the grain lines open. The outcome of those findings was the suspension of a number of grain lines in the conclusion that they were not economically viable and not being used.

It also indicated that the cost of closing the line would be greater as the increased cost of traffic on the roads outweighed the NSW rail line costs. However, comprehensive data was not published on the full costs of upgrading or maintaining the roads that heavy vehicles would potentially use; nor was the methodology made available. Therefore, we ask the IPART committee to restrain using or endorsing those figures. It must also be noted that some rail lines were closed after the publishing of the GIAC paper – indicating a lack of confidence in the paper's findings.

Recommendation 1

The ATA recommends the IPART note that the GIAC paper is not without its weaknesses, and we recommend the IPART gather their own data instead of using conclusions reached in the GIAC paper which may be unsound.

5. Investment and Maintenance Issues

Investment in infrastructure is one salient factor which influences the potential efficiency and demand of different forms of transport. The paper suggests the rail industry, specifically in NSW, currently has limited scope for upgrading due to the fact it is highly subsidised by the government and has not had the same progressive productivity that the road freight industry has had, such as the introduction of B-doubles.

	Rail Freight	**Road Freight**
Load bearing	Limited to size of trains and also operating at a slow speed on most NSW grain lines.	Can be from 2 Axle Rigid trucks to modern multi-combinations.
Infrastructure upgrading	Heavily reliant on government subsidies or private owners.	Trucks impacts recovered through registration and fuel road user charges. As roads are a public good - maintenance is supposedly carried out when necessary by Government authorities.
Freight upgrading	Train carriages are 'ageing significantly'. Without upgrading there is no desire to make trains more environmentally friendlier.	Constant push for safety and productivity. The latest trucks carry the majority of the freight. Trucks are improving environmental standards with better fuel efficiency that reduces the potential carbon footprint.
Infrastructure coverage	Limited to what is present. Most rail lines in NSW are class 5 or restricted class 5 lines. They are limited by the load they can carry and operate at a slower speed. A few class 3 lines, capable of carrying large loads at high speeds.	Limited to what is provided, some roads cannot support longer heavy vehicles but upgrading is possible in many cases to make them more suitable. Trucks at general access mass limits have access to almost all roads in NSW.
Access costs	Heavily subsidised by government, paper stresses need to increase costs in order to pay for maintenance and upgrading.	Truck impacts recovered through registration cost (fixed) and a fuel charge (variable). Does not pay for full road costs as roads are a public good and used by other road users, but marginal capital costs are covered.

Ultimately, road freight is more competitive due to access advantages that train lines cannot compete with. Flexibility in grain sales drives flexibility in grain delivery, which will further favour trucking. While the trains have not progressed much since the 1980s, road freight has been constantly pushing to improve the industry standards, and since 1992 has provided governments with cost recovery on its impacts.

It appears there has been a lack of interest in investment in the train lines since deregulation. However, the 2009 GrainCorp grain haulage agreement with the NSW government meant that for 5 years they would provide service on the grain line including upgrading it, as they are the primary user. The government does not provide financial support to GrainCorp. After following up leads on GrainCorp we have been advised there may have been limited maintenance.

Recommendation 2

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6. The Cost of Rail freight Versus Road Freight

The weakest area of the IPART paper is its caution in presenting comparative data on both rail and road freight. We understand that the IPART paper is concerned with the pricing of access to the rail lines, but no value judgement can effectively be made on those prices if truck data is incorrect.

We question the accuracy of IPART when claiming the road freight industry is subsidised. The industry pays for itself in the fixed registration cost and a variable fuel charge. These charges cover the access charges for road freight including maintenance and upgrading. We do not agree that the revenue received by the government is equivalent to hypothecation. The IPART should note the outcome of its findings depends heavily on the CRRP review of road charges for heavy vehicles, and as such should have a greater knowledge of the current system. The road freight industry receives no explicit subsidy.

The paper sets out to determine whether there is a cost benefit deficit in terms of railway pricing, and yet is contradictory, when it states the subsidies provided to the railway are enormous. At the same time, the paper seems reluctant to actually come to a conclusion on the feasibility of the railway. The paper claims the costs of using the railways come through access charges levied onto rail operators and passed onto users. It must also be noted operators receive government subsidies. If rail access prices were fully recovered, it would show the comparative cost of using road freight would be cheaper.

The rail access charges are supposed to recover the difference between the costs of upgrading and maintaining infrastructure and the government subsidies. However, the actual recovered costs from the whole of the Country Regional Network reports is only 5% of the $400 million rail infrastructure cost.

In previous GIAC studies, the cost recovery from the subsidies on the rail lines was miniscule. Ranging from 0.8-6.3%, with a 3% average based on the net present value of a one-off capital upgrade of tracks, bridges and maintenance. The studies also identify some lines which are cheaper to upgrade. This figure was projected over a 20 year period, which even by its own admission is not a promising future for government investment in the railways. While the findings indicate 5 lines would be cheaper to upgrade, 7 lines were found to be uncertain about the costs and benefits, and 3 lines had significantly higher costs of upgrading. Overall, this means that two thirds of the lines studied were more expensive to upgrade than road infrastructure. The outcome of this report was yet more money thrown at the problem ($69 million to be exact) and a subsequent 9 lines were withdrawn – we ask who is benefiting from this excessive spending.

The IPART paper has made estimates of the maintenance costs, declared to be just under $100 million and $400 million full economic costs with a recovery of only $18 million showing only 4% of maintenance costs and 19% of full economic costs for the network.

The NSW Grain Freight Review in 2008 also came to the baffling conclusion that costs were greater than benefits; but the decision to close lines was not going to happen, even though they found cost recovery to be 6% and suggested that a non-recoverable government grant should be made by the NSW government. In 2010 the NSW government decided to fund these recommendations. The facts suggest there has been a lot of money spent on lines now in the process of closing down, and if a government subsidy cannot save them and private investment is not forthcoming, then they should shut down.

The report states how access prices are charged theoretically for the rail freight industry - that of a price ceiling and of a floor. We do not disagree with this simple economic term; however we find the fact that the prices are unpublished of great concern. We ask how conclusions can be made when no empirical findings have been carried out.

Recommendation 3

The ATA recommends the IPART be aware the proposed COAG road reform project (CRRP) outcomes are not certain, and the ATA's view on the preferred outcome favours a fuel based cost recovery, not a mass-location-distance price as the CRRP proposes.

The ATA also recommends the IPART note the decision on rail access prices in an ideal world would not be affected, but as rail charges are pegged to road it is likely to be affected by any changes. Further, the ATA requests the IPART question why government money is still being spent on keeping unproductive lines open when cost benefit analysis indicates that costs outweigh benefits.

7. Road Freight explanation

The report seems unaware of some of the real effects of road freight on the infrastructure and on the grain industry.

When transporting grain by road, the freight can go from farm straight to port without any change in transport mode. We see the exclusion of large combination vehicles (Figure 2.1) in the transporting of grain unrealistic. As the report notes there has been an increase in the demand and production of grain, the heavy goods vehicles have met the demand that rail cannot. Therefore, we advise the IPART to rethink any conclusions made based on that figure.

We also find the statement that trains can carry more grain to ports as incongruous, as earlier paragraphs state grain trains are limited in weight and access to track, especially through urban areas.

We have also found that the IPART have some confusion over the impact of vehicle size in terms of wear and tear on the roads. B-doubles and B-Triples actually have less impact per 1000 tonne. We have attached a copy of actual impact of each type of vehicle. We ask the IPART to look at this carefully and recalculate impacts.

Recommendation 4

The ATA recommends the IPART note that Figure 2.1 in the IPART Paper is not factually correct, and an option of using a large combination vehicle from farm to port must be included in the model. The ATA also recommends the IPART accept the impact per 1000 tonne of B-double is mistaken in the report and the IPART needs to familiarise themselves with truck impact on infrastructure.

8. Data Problems

Data used throughout the paper has been examined for scrutiny in the past, especially the GIAC report. We understand that obtaining rail freight data is difficult; however this does not excuse factually soft results being presented. The report makes note that much of the useful data which would be used for evaluation of the system has not been made available, and in some cases it seems it never will. We question the feasibility in continuing a project where key data is missing.

When making a decision on rail charges the comparison data between road and rail should be compared, especially if rail lines are closed and road becomes the main form of transport for grain. The lack of data on access costs of rail do not serve to make this judgement easy. The report stresses the cost of maintenance and extra traffic would be greater than the cost of providing rail, without evidence.

Rail freight cost per tonne kilometre is estimated by the report to be $0.03-$0.06 while the road freight is $0.08-$0.10. However, it also mentions that rail may not take into account extra costs (such as double handling when moving grain from farm to storage, which would be avoided when using road freight), along with differences in fuel costs and origin/destination. We ask for the estimates to be examined to ensure the calculations are based on correct foundations and compare like journeys.

Price sensitivity is an issue, and the statement that rail is less price sensitive than road transport needs explaining, especially the assumption that during a good harvest more grain is transported as trains are readily available to carry the excess. We would like to see an evaluation of the price elasticities of the different prices vis-à-vis demand during a perceived 'good harvest'.

Recommendation 5

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The ATA also recommends that more data than is presently being made available in the IPART paper is obtained.

9. Conclusion

Overall we find the IPART paper has recognised faults in the material before it in terms of data analysis and is asking for submissions that address this. We recommend the IPART committee use as much fresh evidence as possible, as previous reports have failed to lead to an efficient outcome, with the results of GIAC paper pointing to the closure of many lines, but the paper concludes many should be kept open. We believe the IPART should recognise the issues concerning the accuracy of this paper.

However, there are also many inaccuracies involving the information on the road freight industry. We have noted a misunderstanding on the impact trucks have on the roads, B-doubles have less impact on infrastructure than the report suggests. The CRRP report is reviewing submissions of the ATA and other organisations over the questionability of some of its determinations.

The cost recovery estimates indicate investment tends to evaporate through the rail line system, and we believe that if the government was determined to keep the grain lines open, then simply throwing money at the problem does not work based on past experiences. We know only a small amount of freight is contestable between rail and road but the facts seem to recommend that road freight has the cost advantage over rail in the majority of lines.

We suggest the IPART take on the suggestions we have made as, we anticipate the IPART publishing of a report that would appear to be more thorough and realistic in its approach than previous projects.

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This document has been prepared to assist operators and road asset managers in assessing the merits of utilising larger vehicle combinations in a transport task.
The assessment process assumes that the vehicle is dedicated to a specific task, operating travel being 50% unladen and 50% laden. The task relativities are 1000 tonnes with a lead of 1000 kilometres.

Equivalent Standard Axles:

ESA's are calculated by the average of the sum of ESA's for zero load (empty) plus ESA's for 100% load and multiplied by the number of trips as required for the transport task.

Vehicle tare weights:

Are predictions based on the averages for a range of equipment within each combination category. These estimates have been reviewed by a number of operators and confirmed as being representative of "real" vehicles of the category.

Fuel consumption estimates:

Are predictions based on accumulated averages where operation is nominally 50% unladen and 50% laden. Actual consumption will vary with operating conditions.

Emissions:

Reference is based on total fuel consumption only.

20 metre 7 axle Truck & Dog:

The maximum allowable mass limits for this combination at either CML or HML (for standard combination) is 55.5 tonnes.

19 metre 7 Axle B-double:

The maximum allowable mass limits for this combination at either CML or HML (for standard combination) is 55.5 tonnes.

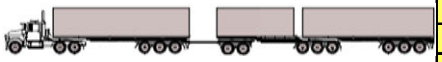
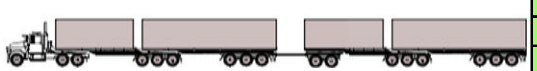
B-triple: Consists of a complying B-double with an additional complying leading trailer.

Converter Dolly: All combinations utilizing a converter dolly are configured with a tandem axle. The configured vertical imposed loading of a 6x4 prime mover is similar to the allowable imposed vertical loading of a tandem axle converter dolly.

AB-triple: Consists of a complying B-double with an additional complying road train leading trailer and a complying converter dolly.

BAB-Quad: Consists of a complying B-double with an additional complying converter dolly and additional complying set of B-double trailers.

AUSTRALIAN TRUCKING ASSOCIATION Truck Impact Chart June 2010

	GCM	Payload	Load Status 0%	Load Status 50%	Load Status 100%	No Trips per 1000 tonnes	ESA's per 1000 tonnes	Nom Fuel / 100k	Fuel Required per 1000k	Driver Requirement	Overall Length (metres)	Low Speed Swept Path (metres)	Referenced Static Roll Stability	High Speed Dynamic Tracking	Emissions / 1000 tonnes
			Calculated ESA's 4th Power												
 Two Axle Rigid GML	15.0	7.00	0.42	1.18	3.00	143	490	23	65780	186%	<12.5 metres	General Access Vehicles			153%
Two Axle Rigid Euro4	15.5	7.63	0.43	1.34	3.57	132	529	23	60720	171%	<12.5 metres				141%
 **Three Axle Rigid GML**	**22.5**	**13.12**	**0.51**	**1.27**	**3.58**	**77**	**316**	**28**	43120	**100%**	**<12.5**				**100%**
Three Axle Rigid Euro4	23.0	13.69	0.53	1.46	4.16	74	347	28	41440	96%	<12.5 metres				96%
Six Axle Artic GML	42.5	24.13	1.14	2.03	4.96	42	257	47	39480	55%	19.0				92%
 Six Axle Artic HML (RFS)	45.5	27.13	1.14	2.03	4.96	37	226	50	37000	48%					86%
Six Axle Artic CML (Non-RFS)	43.5	25.13	1.14	2.07	5.29	40	258	48	38400	52%					89%
Six Axle Artic HML (Non- RFS)	45.5	27.13	1.14	2.18	6.05	37	267	50	37000	48%					86%
 Truck & Dog (6 Axle - 45T)	45.0	30.09	1.10	1.93	5.74	34	233	49	33320	44%	19.0				77%
Truck & Dog (6 Axle - NSW)	48.0	33.09	1.10	2.08	7.13	31	256	49	30380	40%	19.0				70%
Truck & Dog (7 Axle)	50.0	34.19	1.10	1.89	5.57	30	201	51	30600	39%	19.0				71%
 Truck & Dog (20M - PBS)	55.5	38.69	1.10	2.18	7.71	26	230	53	27560	34%	20.0				64%
Truck & Dog (20M PBS CML)	57.0	40.19	1.10	2.27	8.50	25	241	55	27500	32%					64%
 19M B.double GML	55.5	35.66	1.10	2.12	7.71	29	256	53	30740	38%	19.0				71%
19M B.double CML & HML	57.0	36.20	1.10	2.20	8.50	28	269	55	30800	36%					71%
B.double GML	62.5	38.93	1.15	2.24	6.34	26	195	62	32240	34%	26.0	8.9			75%
 B.double HML (RFS)	68.0	44.43	1.15	2.24	6.34	23	173	65	29900	30%					69%
B.double CML (Non-RFS)	64.5	40.93	1.15	2.34	7.00	25	204	63	31500	32%					73%
B.double HML (Non - RFS)	68.0	44.43	1.15	2.50	8.26	23	217	65	29900	30%					69%
B-triple GML	82.5	52.44	1.16	2.51	7.72	20	178	68	27200	26%	35.0	10.6	Approximately same as equivalent B-double	Better than Type 1 R/train	63%
 B-triple HML (RFS)	90.5	60.44	1.16	2.51	7.72	17	152	72	24480	22%					57%
B-triple CML (Non-RFS)	84.5	54.44	1.16	2.60	8.34	19	181	69	26220	25%					61%
B-triple HML (Non-RFS)	90.5	60.44	1.16	2.88	10.47	17	198	72	24480	22%					57%
AB-triple GML	99.0	64.20	1.18	2.90	9.78	16	176	75	24000	21%	42.5	11.2	Better than Type 1 R/train	Better than Type 1 R/train	56%
 AB-triple HML (RFS)	107.5	72.70	1.18	2.90	9.78	14	154	79	22120	18%					51%
AB-triple CML (Non-RFS)	101.0	66.20	1.18	3.00	10.47	16	187	76	24320	21%					56%
AB-triple HML (Non-RFS)	107.5	72.70	1.18	3.30	12.80	14	196	79	22120	18%					51%
Type 1 R/train - GML	79.0	47.77	1.20	2.77	8.41	21	202	68	28560	27%	36.5	10.3			66%
 Type 1 R/train - HML (RFS)	85.0	53.77	1.20	2.77	8.41	19	183	72	27360	25%					63%
Type 1 R/train - CML (Non-RFS)	81.0	49.77	1.20	2.88	9.12	21	217	69	28980	27%					67%
Type 1 R/train - HML (Non-RFS)	85.0	53.77	1.20	3.08	10.59	19	225	72	27360	25%					63%
Type 2 R/train - GML	115.5	71.41	1.26	3.51	11.85	15	197	80	24000	19%	53.5	13.7			56%
 Type 2 R/train - HML (RFS)	124.5	80.41	1.26	3.51	11.85	13	171	83	21580	17%					50%
Type 2 R/train - CML (Non-RFS)	117.5	73.39	1.26	3.61	12.55	14	194	81	22680	18%					53%
Type 2 R/train - HML (Non-RFS)	124.5	80.41	1.26	3.98	15.12	13	214	83	21580	17%					50%
BAB Quad - GML	119.0	77.37	1.21	3.20	11.16	13	161	81	21060	17%	51.5	12.4	Better than Type 2 R/train	Better than Type 2 R/train	49%
 BAB Quad - HML (RFS)	130.0	88.37	1.21	3.20	11.16	12	149	85	20400	16%					47%
BAB Quad - CML (Non-RFS)	121.0	79.37	1.21	3.30	11.82	13	170	82	21320	17%					49%
BAB Quad - HML (Non-RFS)	130.0	88.37	1.21	3.72	15.01	12	195	85	20400	16%					47%

For further information contact ATA on 02 6253 6900

The B-triple; AB-triple; & the BAB-Quad are based on modular vehicle units as agreed by ATA General Council.

* The data in this table is provided for general information and does not take into account your specific circumstances. You should obtain professional engineering advice before taking action.