

**A. Summary of submissions**

The main submission (#23 - see also #68 and DD77) outlined the difficulties to government in leading reform in the area of road pricing of heavy vehicles, also, why Australia as a nation now needs to make more effort in this area and in infrastructure.

**1. Road pricing**

In March 2006, Australia's Federal and State transport ministers declined to adopt a benign third determination by the National Transport Commission (NTC) of charges for heavy vehicles. This was followed in May 2006 with a Federal budget granting an additional \$2 billion in road funding and a \$1.2 billion concession in road pricing for heavy trucks.

Road pricing for heavy trucks presents a real contest between the competing interests of the road freight industry and the rail freight industry. There appears to be three notable broad groups of estimates for road system costs attributable to heavy trucks:

- Conservative - as per the National Road Transport Commission (NRTC) first and second determinations and the NTC third determination.
- Intermediate - including the former Inter-State Commission findings during the 1980s, the 1990-91 Over-Arching 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 report noted in the draft report, McDonnell's methodology (NSW), and ongoing New Zealand Road User Charges.

In addition, Australia has been failing to recover attributable road system costs from some of the heavier trucks for many decades. This includes three decades of free registration to interstate trucks (1954 - 1986) and when building a National Highway System with full federal funding from 1974.

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 tenable<sup>1</sup>. The costs of the NRTC charges to the NSW Government was over \$60 million

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<sup>1</sup> Sydney Morning Herald April 13, 1992 "Recession puts truck plan off road."

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.

The Industry Commission (IC) had no doubt that the NRTC charges subsidized the heavily loaded big trucks that haul long distances each year. As the IC 1992 Annual report noted, the NRTC charges would distort road-rail competition as rail reform took place. After 14 years of rail reform following the formation of National Rail in 1992, Australia has now reached the point where such competition for freight is being distorted.

It is submitted that the national interest would be better served with intermediate charges somewhere between New Zealand levels and Australian levels. Intermediate charges could initially apply in South East Australia with some distance and/or mass differentiation in charges for the heavier long distance trucks.

## **2. Externalities**

Externalities, including air pollution in cities and accidents, involving both articulated trucks and freight trains are important. 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. Re safety, although articulated trucks are driven about three per cent of all vehicle kilometres, about one road fatality in ten involves an articulated truck. In most cases, this is not the fault of the truck driver.

Most fatalities involving articulated trucks are on roads with speed limits exceeding 80km/h. Worse still, on the National Highway System in NSW, about one road fatality in three involves an articulated truck. The submissions give some data regarding such fatalities and refer to an important year 2000 *Report of Inquiry into Safety in the Long Haul Trucking Industry* conducted for the NSW Motor Accidents Authority.

## **3. Removing impediments to rail freight**

A major concern with the Commission's draft report is the limited approach to speed-weight restrictions that reduce rail's efficiency and competitiveness in moving freight. This is for the track linking Australia's three largest cities and the track in regional NSW, Vic and SA as well as Tasmania. This rail infrastructure is substandard with some

inadequate capacity. In many cases, it is simply not fit for current tasks let alone proposals under "Twice the Task" for rail to transport much more of the nations freight.

As observed in numerous reports<sup>2</sup>, the state of the track linking Australia's three largest cities is "*substandard*". Trains going from Melbourne to Sydney turn 36 circles to the left and 36 circles to the right - 72 in all as they traverse 'steam age' aligned track with excessive curvature and extra length. The NSW North Coast line has worse alignment. Although the Australian Rail Track Corporation is investing loan funds and government money to upgrade the track - including replacement of an 1880 bridge at Wagga Wagga and antiquated signalling plus concrete resleepering - there is no track straightening.

Construction of 200 km of track to modern engineering standards between Menangle and Junee, at an indicative cost of \$800 million, would get rid of 50 of these 72 circles and reduce point to point distance by 60 km, cut off 1 and ¾ hrs in transit time and save fuel. It is a good question as to whether the \$800 million allocated in the 2006 Federal budget to expedite Hume Highway upgrading would give the same economic, social and environmental benefits as building 200 km of new mainline rail track.

The branch lines in NSW, Vic and SA are a national disgrace. In Tasmania, the track is so bad no train is allowed on any section of track more than 60km/h with many permanent speed restrictions and a growing number of temporary low speed limits. Today, no State would tolerate an entire road system with a maximum speed of 60 km/h.

The Commission's draft report correctly notes poor track is due to past under-investment over many decades. The challenge for the final report is to articulate a way forward to get the public and/or private investment of the rail network in Australia's South - Eastern corner up to standard.

#### **4. Related issues**

The May 2006 report on Pacific Highway Upgrade of the General Purpose Standing Committee No. 4 of the NSW Legislative Council notes that many people do not like seeing highways and roads overrun with big trucks – even on upgraded roads.

The draft report has a helpful section on greenhouse gases. Attention is also needed to energy efficiency and oil vulnerability issues. These are identified in the interim

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<sup>2</sup> The Prime Minister's Task Force 1998 report on revitalising rail, the House of Representatives Standing Committee on Transport and Regional Services 1998 report *Tracking Australia* (and evidence to its current inquiry), this Commission in its 1999 *report on rail reform*, and more recently Engineers Australia infrastructure report cards.

report of the inquiry of the Senate Rural and Regional Affairs and Transport Committee into Australia's future oil supply and alternative transport.

## **B. Other matters**

The balance of this submission shall follow up various matters raised at the hearing on 31 October in Sydney. These matters are funding of the Hume Highway and the Sydney - Melbourne railway, the deficiencies of the Sydney - Brisbane railway, a Melbourne - Brisbane inland route and a concurrent Senate Committee inquiry. Reference is also made to earlier NSW road user charges and greenhouse gas emissions.

As before, this submission will draw on research conducted at the University of Wollongong supported, in part, by the Rail CRC. However, it does not necessarily reflect the views of either organisation.

### **1. Sydney – Melbourne**

As recognised in a recent AusLink Draft Corridor Strategy, Sydney - Melbourne is Australia's most important interstate corridor.

#### **1.1 Funding of the Hume Highway**

The response to the draft report noted an outlay of approximately \$5 billion on the Hume Highway between 1974-75 and 2003-2004 in 2004 terms. Details for the outlay from 1974-75 to 1998-99 are given (para 40) of the primary submission. Table 1 gives more details of outlays on maintenance and related expenditure (NSW other) from 1994-95 to 2003-2004 and Table 2 gives total Hume Highway outlays over this time.

**Table 1 Hume Highway maintenance and related outlays (\$ million)**

Year ending 30-June	New South Wales		Victoria	Totals
	Maintenance	Other	Maintenance	
1995	64.26	0.85	7.489	72.599
1996	37.49	2.15	7.528	47.168
1997	31.2	2.95	8.024	42.174
1998	23.49	3.02	9.96	36.47
1999	21.25	2.82	9.369	33.439
2000	21.74	2.6	7.995	32.335
2001	15.73	2.59	8.553	26.873
2002	16.49	2.88	8.862	28.232
2003	16.59	3.75	9.824	30.164
2004	18.06	4.05	10.718	32.828

Reference: Data supplied by the NSW Roads and Traffic Authority and Vic Roads

**Table 2 Hume Highway development and total outlays (\$ million)**

Year ending 30-June	Development		Subtotal	Maintenance	Total
	NSW	VIC			
1995	113.1	0.851	113.951	72.599	186.55
1996	90.7	1.977	92.677	47.168	139.845
1997	34.61	3.325	37.935	42.174	80.109
1998	6.8	5.31	12.11	36.47	48.58
1999	17	35.461	52.461	33.439	85.9
2000	22.59	22.065	44.655	32.335	76.99
2001	32.94	11.199	44.139	26.873	71.012
2002	35.11	49.215	84.325	28.232	112.557
2003	18.27	49.432	67.702	30.164	97.866
2004	15.27	116.472	131.742	32.828	164.57

Reference: Table 1 for maintenance etc and the Department of Transport and Regional Services for development costs.

For the five years ending 30 June 2004, indexed using CPI, the total outlay was about \$543 million. This averages at about \$109 million per year.

## 1.2 Contributions to the Hume Highway

To estimate the contribution from articulated trucks to the capital upgrades and maintenance of the Hume Highway is difficult. A rough estimate of the contribution from the Sydney – Melbourne intercity line haul truck task is about \$44m. This is derived as follows.

A. Full use – using 19 litres per tonne, and the North South Rail Corridor study estimate of 9.37 million tonnes of Sydney Melbourne rail freight (91% of 10.5mt) gives the use of 178 million litres of diesel. With a road user charge of 19.6 cents /litre, the aggregate amount is \$34.9 million.

B. From data given in the NTC Technical Report, page 95, for the third determination of road user charges for heavy vehicles, there were 32,951 six axle articulated trucks and 7345 B-Doubles in 2003 [a ratio of 82 to 18]. Assume an average load of 22 tonnes and each truck doing 10 one way trips (5 return) per fortnight for 25 fortnights per year gives 1704 trucks. (This is about 57 per cent of the 3000 trucks observed some days and nights on the Hume Highway). Assume, using the above ratio, that 307 are 9 axle B-Doubles

and 1397 are six axle articulated trucks. This with respective 2006 NTC registration fees of \$7769 and \$4569, gives aggregate registration fees for these 1704 trucks of about \$8.8 million.

Heavy vehicles using only part of the Hume Highway make a significant contribution. If we assume that this is about the same as the intercity trucks using the full length of the Hume Highway, the annual contributions are about \$88m. This amount more than covers maintenance of the Hume Highway but does not meet the above cited average outlay of \$109 m pa in five years to 2004. Other Hume Highway road users are also expected to contribute to this expenditure. It is a good question as to what costs should be allocated to heavy trucks for roads in general and the Hume Highway in particular.

For the Hume Highway, there are large sunk costs, including those incurred by the Federal government from 1974 to 1986 when interstate trucks were paying little or no registration fees, and effectively only maintenance costs. For the future capital upgrade with a 2006 commitment of \$1398.3 million to the New South Wales section of the Hume it is a good question as to how much could reasonably be allocated to heavy vehicles. Or, to put the question the other way, if all of the articulated trucks were removed from the Hume Highway, how much of this work outlined below would actually proceed.

*Excerpts from Media Release Increased Spending for Hume Highway Duplication in NSW 013TRS/Budget 9 May 2006*

The Australian Government is providing an additional \$800 million to New South Wales in 2005-06 aimed at dramatically increasing the pace of converting the Hume Highway in southern New South Wales to four lanes by 2012.

Under AusLink, ... the Australian Government had already committed to fund:

- the Hume Highway upgrading at Albury Wodonga (in total \$518.0 million is being provided to the Victorian and New South Wales Government, with \$135.0 million being provided to New South Wales in 2006-07). Construction is under way and the entire 17 km project is scheduled to open in mid-2007;
- the 12 km Coolac bypass (in total \$145.0 million, with \$25.0 million in 2006-07). Construction likely to start in November 2006 and open in late 2008;
- duplication of the Sheahan Bridge at Gundagai (\$43.0 million, with \$5.0 million in 2006-07). Construction to start in 2006-07 and finish in 2008-09;
- the West Street interchange at Gundagai (\$8.8 million and remaining \$4.5 million to be paid out in 2006-07). Work on the flyover is in progress. It is due to open in December 2006;
- a range of Hume Highway safety improvements and planning works (\$36.0 million, with \$5.6 million of that in 2006-07). Most of the works are to be completed by September 2006;
- a truck and trailer interchange facility at Tarcutta (the Australian Government is

contributing \$3.0 million towards the total cost, \$1.6 million in 2006-07). Work will start in June 2006 and be completed in December 2006.

### **1.3 The Sydney – Melbourne railway loans**

A 50 year loan is being repaid to 2012 by the NSW and Victoria Governments as a part contribution to the Albury – Melbourne standard gauge line completed in 1962.

Under the National Railway Network (Financial Assistance) Act 1978 (Cth), loan funds were used to install long crossing loops between Junee and Melbourne, and CTC signalling between Junee and Albury. These loans have since been repaid.

Current ARTC Sydney Melbourne upgrading will use loan funds as well as ARTC funds. This includes replacement of the 1880 railway bridge over the Murrumbidgee River at Wagga Wagga.

### **1.4 Rail passengers**

The draft report has brief reference to rail passengers on pages 5.11 and 7.7. The value of highway upgrades to motorists and bus passengers is well appreciated. In the same way, rail track upgrades for faster and heavier freight trains benefit rail passengers in regional areas.

This approach has worked well in Queensland.

### **1.5 Comment**

To 2004, some 85% of the Hume Highway has been reconstructed to modern standards with dual carriageways with about \$5 billion of Federal grants. Funds have been allocated on a grant basis to upgrade the entire highway by 2012.

The most basic upgrades of the Sydney – Melbourne railway have occurred, and continue to occur with a mixture of grants and loans. The present PAYGO approach to road pricing of heavy trucks, coupled with ongoing highway upgrades, is a recipe for denying private investment into mainline track straightening.

As noted before, construction of about 200 km of new track between Menangle and Junee could get rid of nearly 260 km of track with “steam age” alignment where trains turn a total of about 50 circles. The new track would give big reduction in freight train transit times, fuel use and operating costs, improve train reliability and give a big boost to rail freight efficiency and competitiveness.

A rough non conservative average cost estimate of the new deviations would be \$4m per kilometre (the footnote to Table 4 that follows notes two smaller Main South

deviations with an estimated 2004-05 average of \$3.2m per km). Using \$4m per km the indicative cost for 200 km is \$800m.

Incidentally, \$800m is the same amount as the additional Federal allocation in 2006 - 07 to the Hume Highway. It would be good to compare the respective benefits of either reconstruction of the first 200 km of the Sydney - Melbourne railway, or the converting to dual carriageway the final 108 km of the Hume Highway in New South Wales that remains as two-lane road.

A new approach is needed to funding the reconstruction of about 21 per cent of the length of the present Sydney Melbourne railway to remove old sections with 'steam age' alignment to improve rail freight efficiency and competitiveness. The difference in diesel use between a base case and a real rail growth case (50 per cent modal share) by 2015 will be 77 million litres [over 200,000 tonnes per annum CO<sub>2</sub>equiv] per annum.

In brief, the past 32 years has seen much Federal investment in the Hume Highway to support road freight efficiency and competitiveness. This has included improved alignments, rigid pavements and town bypasses allowing for faster and heavier trucks. In effect, although Australia did not build a Very Fast Train between its two largest cities as proposed in 1984 by CSIRO, it did provide for the Very Fast Truck.

However, a much different approach will be needed over the next 20 years. The cost to the nation if rail does not attract much more Sydney - Melbourne intercity freight will be high. This cost will include appreciably more heavy trucks on the Hume Highway, with increased road system costs, road fatalities, and imported oil use.

## **2. Sydney - Brisbane**

Reference was made to Maitland - Casino being a string of branch lines. Some details are given in Table 3 and follow below.

From Table 3 it can be seen that by 1905 (some 24 years after the opening of the Sydney to Albury line) only the Grafton – Casino – Mullumbimby section was in place. By 1915, this section had been complemented by four further branch lines, Maitland – Taree – Wauchope, Raleigh – Coffs Harbour, Glenreagh – South Grafton, and, Casino – Kyogle. All such lines were built to a very basic standard with 'steam age' alignment and excessive curvature. So also were the various linking sections of Wauchope – Raleigh (completed 1923) and Coffs Harbour – Glenreagh (1922). The Kyogle – Qld Border (completed in 1930 to link standard gauge to South Brisbane) was also on 'steam age'



alignment complete with a spiral loop. Through running was possible on completion in 1932 of a major bridge at Grafton.

**Table 3 – New South Wales North Coast Line**

Section	Year completed
Maitland - Dungog	1911
Dungog - Taree	1913
Taree – Wauchope	1915
Wauchope – Kempsey	1917
Kempsey – Macksville	1919
Macksville – Raleigh	1923
Raleigh – Coffs Harbour	1915
Coffs Harbour – Glenreagh	1922
Glenreagh – South Grafton	1915
South Grafton – Grafton	1932
Grafton – Casino	1905
Casino – Lismore	1903
Lismore – Mullumbimby	1894
Casino – Kyogle	1910
Kyogle – Queensland Border	1930

Reference: Extracted from Quinlan and Newland<sup>3</sup>

The only grade and curve easing since 1930 known to this writer took place in the mid 1990s as part of the Keating Government's 'One Nation' programme. This was in two locations north of Grafton (Lawrence Rd and Rappsville).

The 2004 Auslink White Paper refers on page 37 to “...*building deviations at 14 locations, totaling 121 kilometres, to ease curves on the North Coast railway between Newcastle and Brisbane (\$158million).*” This work, although overdue, was deferred by the ARTC in May 2005. Earlier in 2005, the ARTC had identified potential deviations, including those given in Table 4.

A former Federal MP, Mr. Colin Hollis when he was Deputy Chairman of the House of Representatives Committee on Transport reflected in the House of Representatives on the poor state of the Sydney - Brisbane Railway and the need to address rail when upgrading the Pacific Highway. To quote in part from Hansard of 8 February 1999 (emphasis added) “... *the current upgrading of the Pacific Highway to a*

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<sup>3</sup> Quinlan H and Newland J R (2000) *Australian Railway Routes 1854-2000*, ARHS

*near four-lane standard may prove to be in vain if all it achieves is taking more and more freight off rail and putting it onto B-doubles."*

**Table 4 – ARTC February 2005 best deviations**

Location	Start km	Existing Distance km	Cost \$m	Time saving minutes
Nambucca Heads - Bonville	565.1	31.4	39	8.8
Taree - Johns River	383.3	34.5	76	12.5
Taree North Bypass	375	7.9	20	3.2
Tamban - Nambucca Heads	520.6	44.5	118	17.5
Kundabung -Tamban	487.2	33.4	72	10.1
Fassifern - Hexham	142.3	33.2	123	16.5
Demondrille - Cunningar *	391.5	10.5	49	6.2
Rossgien - Telegraph Point	439.1	34.9	86	10.8
Hexham - Stroud Road	176.5	93.5	361	43
Binalong - Bowning *	357.8	23.5	60	7.1
		347.3	1004	135.7

Reference: ARTC North-South Strategy Presentation. All deviations are for the North Coast line, except for the two marked \* which are on the NSW Main South line which had an average cost of \$3.2 m per km (double track existing track). Some rounding has taken place, and this list was compiled from a detailed examination of all potential deviations as the best projects of up to \$1 billion.

Mr Hollis also observed that *"Some 396 kilometres or 41 per cent of this track fails to meet basic fast freight train standards of any curve having a radius of at least 800 metres. This 'steam age' alignment is one reason why the average terminal to terminal speed of intermodal freight trains is about 50 kilometres per hour on this corridor."*

As observed during the same debate by Mr Hardgrave (Govt. MP for Moreton) *"The national track between Brisbane and Newcastle is an absolute disgrace. Yet north of that, in Queensland, is the best laid track in Australia. And why? Because, deliberately, over the last eight years there has been a concerted effort to put real money into the infrastructure. For instance, between Brisbane and Rockhampton...the curves, inclines and gradients have all been relaid with the future in sight. And more recently, plans have been announced to continue that through to Cairns. This is the sort of thing that needs to be done across Australia."*

Some track and signal improvements are being addressed by the Federal Australian Rail Track Corporation or ARTC with AusLink and loan funds. The current freight train transit time is expected to fall from over 19 hours to 15 and a half hours by

2009. The main submission in section 15 notes earlier Bureau of Transport and Regional Economics projections on earlier trends that by 2020 rail would have a low 2.5 per cent modal share of Sydney Brisbane intercity freight. The ARTC programme will arrest the recent decline of rail's modal share on this corridor.

However, to really turn it around and prevent further big growth of road freight on the Pacific Highway, further rail upgrading including track straightening and strengthening will be required. Here, if the worst of the track was rebuilt to modern engineering standards from Fassifern to the Queensland Border, the point to point distance could be reduced by about 120 km. The economic case is for faster and heavier freight trains.

There is scope for the NSW Roads and Traffic Authority to explore with the ARTC the potential for shared road and rail corridors. This has worked well in Queensland for many years, and most recently with the Tugun bypass for the Pacific Highway and extension of the Gold Coast Railway to Coolangatta Airport. However, in NSW, with the exception of Tugun which had a strong Queensland Government influence, the Roads and Traffic Authority has been apparently reluctant to explore the use of shared land corridors for road and rail upgrades.

It is recognized that track upgrades need to be accompanied by an increase in the capacity of intermodal freight terminals.

### **3. Melbourne - Brisbane**

Firstly, it is of note that it was reported at the Rail Conference held on 25 September at Parkes some sections of the Newell Highway have more trucks than cars. Australia is faced with a choice of how to handle increasing freight movements between Melbourne and Brisbane. Short of sending the freight by sea, the two most likely longer term choices appear to be:

- A. Over time, upgrade the Newell and other Highways at a cost of several billion dollars. However, due to relatively low traffic volumes, private toll roads are not likely to be viable.
- B. Build an inland railway via Parkes as identified by the North South Rail Corridor Study with an estimated cost of \$3.1 billion.

The Federal Treasurer Peter Costello has recently suggested that the proposed Melbourne to Brisbane rail link is '*a case for the private sector.*' Speaking on 24 October at the release of economic data [Press Conference Parliament House, Canberra

re IMF Article IV, IMF Financial Sector Stability Assessment, inflation, drought, wheat exports, carbon price, superannuation]:

JOURNALIST: Treasurer is there a case for the Federal Government to contribute to establish a Melbourne to Brisbane railway as a major infrastructure project?

TREASURER: Look, the project has been around for a long time, the proponents of the railway believe that it is commercial and that it will pay for itself and if that is the case then the private sector will build it.

As also noted by Australian Transport News (25 Oct) Mr Costello noted Australia's resources boom will continue - but may pressure interest rates up and made no offer of any federal funding for the new railway.

It is submitted that present approaches to road pricing of heavy vehicles will preclude a fully privately funded inland railway being viable. When all economic, social and environmental costs of long distance road transport are considered, the cost will be high.

How much public sector support will be needed to secure construction of an inland railway is a good question. Some guidance could be given by the Alice Springs – Darwin railway and to present financial performance.

#### **4. Earlier NSW Road user charges and Intermediate charges**

In the NSW Legislative Council on 28 June 2000, it was observed during a Second Reading speech<sup>4</sup> that: *"The introduction of national charges by this Government in 1996 resulted in a productivity saving to industry of \$59 million in 1996-97. If the flow-on effect of the reduction in heavy vehicle charges that occurred at that time is further considered, then it is estimated that subsequent industry savings were of the order of \$62 million in 1997-98 and up to \$71 million in 1998-99. There is no doubt that the introduction of nationally uniform heavy vehicle charges into New South Wales has delivered substantial productivity savings to this State's trucking industry."*

In 1989<sup>5</sup>, the NSW annual permit and registration fees for a six axle semitrailer with a GVM of 42.5 tonnes was \$6590 and for an 8 axle B-Double was \$12,650. Under the NRTC first generation charges, the respective charges were \$4000 and \$5500. Indexed

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<sup>4</sup> Road Transport (Heavy Vehicles Registration Charges) Amendment Bill p7681

<sup>5</sup> Laird PG (1990) *Road cost recovery in Australia and New Zealand*, Transport Reviews (United Kingdom), Vol 10, p 215-227

with CPI the 1989 NSW charges are respectively about \$10,680 and \$20,500 pa. These compare with current 2006 NTC charges of \$4569 for a six axle articulated truck and \$7426 pa for an 8 axle B-Double.

More attention is warranted in the final report to such "intermediate charges" (similar to those that had been determined by an Over-Archiving Group or OAG in 1991) and set between current Australian charges and current New Zealand charges.

This is in contrast to the comment of the Australian Trucking Association made on the day of the release of the draft report that *"The report found the revenue from road user charges paid by heavy vehicles exceeded the industry's attributable infrastructure provision costs."*

## **5. Energy and oil vulnerability**

As per earlier comment, it is hoped that the final report of the Commission in this inquiry will address questions of relative energy efficiency in road and rail freight.

Reference was also made to the interim report of the inquiry of the Senate Rural and Regional Affairs and Transport Committee into Australia's future oil supply and alternative transport fuels. To quote in part from this report (section 5.15) *Fuel efficiency or possible oil depletion do not figure particularly in the 2004 Auslink White Paper. The Auslink policies and first five year program are based on goals of general economic efficiency, considering the predicted strong growth of freight transport over the next 20 years. However it may be expected that if there is a long term rise in the price of fuel, this will favour rail because fuel is a greater proportion of costs for road transport. This may suggest a need to increase the pace of catchup investment in rail infrastructure.*

Some comment from this report on the use of rail for long distance freight follows:

5.9 Many submissions argued for more use of railways for long distance freight. Trains use about one third the fuel of trucks per net tonne kilometre

5.11 The Bureau of Transport and Regional Economics (BTRE) expects that on present trends, assuming no significant change in infrastructure, the long term decline in rail's mode share will continue on most routes. However if there was significant improvement to rail infrastructure the result might be different.

5.12 This situation has arisen partly because of the competitive advantage of road in speed and reliability ...partly because of a history of poor rail management by former public authority owners; and partly because of past government policies to invest heavily in improving roads and comparatively little in improving railways.

5.13 Commonwealth policy recognises that the rail system has been underfunded in the past and has the potential to increase its share of the freight task if there are improvements to infrastructure and modernisation of operating practices. The Commonwealth has committed \$2.4 billion to rail improvements over the 5 years to 2008-9, mostly for the Melbourne-Sydney-Brisbane corridor. In the longer term, Auslink 'corridor strategies' promise a balanced assessment of the road and rail infrastructure needs of key corridors for the sake of the most efficient overall outcome.

5.14 The Australian Trucking Association supports the need for investment in railways, but is concerned that the road freight industry should not 'have imposts put on our business simply to make rail more competitive.'

## 6. Greenhouse Gas emissions

Greenhouse gas emissions are discussed on page 6.16-18 and Appendix C of the draft report. Page 6.17 gives data showing at \$10 per tonne, Sydney – Melbourne road freight would incur a charge of about \$0.60 per tonne for line haul road freight and \$0.25 per tonne for rail freight. With tonnage data from Section 1.2 this would amount to a modest \$6.9m.

Since the release of the draft report by the Commission, the UK Government has released the Stern Report, and has called for stronger action in the near term to try and address climate change.

It is submitted that in reducing greenhouse gases, each sector should be required to 'pull its weight'. Accordingly, imposition of a charge is supported with the proceeds going into upgrading land transport infrastructure that will reduce oil use and greenhouse gas emissions in land freight transport. The appropriate level at this stage would appear to be \$10 per tonne, then moving to a higher lever.

The year of 2006 has been notable for an increased concern about global warming and the need to do something about it<sup>6</sup>. In recent times Australia has had the highest road freight per capita in the world (Austroads<sup>7</sup> - in terms of net tonne-km per person), and hence the highest greenhouse gas emissions from freight movements per capita in the world (due to road freight being the most energy intensive way of moving freight).

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<sup>6</sup> See for example, Steffen, W (2006) *Stronger evidence but new challenges: Climate change science 2001 – 2005*, DEH-AGO Note, for example, the initiatives of the Government of South Australia to reduce greenhouse gas emissions.

<sup>7</sup> Austroads (1997) *Australia at the crossroads; summary report*

It is not unreasonable to expect Australia to be making more effort, through both improved pricing and infrastructure upgrades, to try and reduce the use of oil in freight transport.