

= = = = = B A L A N C E R E S E A R C H = = = = =

P.O.Box 555, Footscray Vic 3011 (03)9689 7555  
[www.BalanceResearch.com/transport/](http://www.BalanceResearch.com/transport/)

=====

15 MAY 2006

The Chairman and Members,  
Productivity Commission  
Road and Rail Infrastructure Enquiry Panel

Dear Panel Members,

The submission of Balance Research relates to the resources used by transportation; the need to reflect modal resource usage in the pricing, or relative pricing, of each mode; and the outcomes achievable from such market reform.

I request the Commission to accept, as a preliminary submission in the present matter, the submissions and verbal evidence made to it by Balance Research in the earlier enquiry "Progress in Rail Reform", which I consider to be relevant to the present issues.

The submissions were numbered 41 and 112; the verbal evidence is in transcripts dated 12 Nov 1998 and 25 May 1999.

I intend to make an updated submission as well. I would also like to make a verbal presentation to the Commission.

ADDITIONAL COMMENTS:

Each mode (we're talking road and rail, mainly) uses numerous resources and some of these are not readily expressed in money values. There are those costs often mentioned, like provision, upkeep and updating of infrastructure, corridor land, direct labour, local pollution, energy [including global pollution], and congestion. There are the costs of accidents, including the costs to third parties like families and employers. And there are the resources depleted by transport activities such as 'quiet neighbourhood' and 'feeling of safety where you live, play and travel'.

Failure of pricing systems to reflect the difference in true and total resources used by the competing modes, and specifically the additional resources used by incremental task, results in a continuing distortion of user behaviour of significant detriment. This phenomenon is observed in almost every country.

While both modes cause noise, pollution and trauma, it is observed that the road mode involves more of those and also engages more land, more labour, more energy and more track maintenance (including deferred maintenance) per unit of task, than rail.

The result of that is, to accommodate the next doubling of task, while keeping present mode shares, will engage more resources than if the increase could largely be absorbed by rail, leaving the road task around its present level.

Balance Research believes that it is essential for the nation to retain and improve a high quality system of highways and local roads, and an efficient, responsive and substantial road transport industry. The shippers of goods should be able to choose road transport to meet their needs. Their choices of transport mode should be informed by pricing signals which reflect, absolutely or relatively, the true and total cost of those choices.

Yours sincerely,

{{Michael Isaachsen}}

Hon. Director