

# **Rethinking rail freight access: developing a new policy agenda**

Phil Bullock<sup>1</sup>, Tom Frost

<sup>1</sup>223 Liverpool St, Darlinghurst, NSW, 2010

Email for correspondence: [pbullock@ninesquared.com.au](mailto:pbullock@ninesquared.com.au)

## **Abstract**

Road and rail freight access pricing have been challenging areas for Australian policy makers for many years. Experience from the past two decades suggests that both policy makers and industry are finding it difficult to adhere to the regimes developed to price road and rail networks. An unintended consequence of the current policy settings has been rail freight network access charges increasing significantly more quickly than road freight registration charges over a period when policy change and technology innovation have also worked improve road's competitiveness and mode share. New thinking is needed about the way that pricing and access arrangements are managed for the national rail network. This paper recommends the development of a policy agenda or action plan for reforming pricing and access arrangements for the national rail network. This could include short term actions to reduce pricing discrepancies between road and rail freight, and longer term reforms to harmonise pricing and access arrangements across the national rail network. Reforms could build upon implementation of the recently developed National Rail Action Plan (NRAP) to maximise the benefits of rail network investment planned over the next decade.

## **1. Introduction**

This paper considers recent developments in rail and road freight access pricing in Australia and the implications these and other developments pose to modal competition. Recommendations are provided for policy makers for reforming pricing and access arrangements for the national rail network. Sections 2 and 3 provide an overview of rail and road pricing, while Section 4 discusses the application of road freight pricing and impact of road/rail access price discrepancies. Sections 5 and 6 discuss road freight productivity and the current rail price reform process, and Sections 7 and 8 outline the need for reform and potential directions that could be taken in developing a new policy agenda.

## **2. Overview of rail access pricing**

Rail and road networks used by freight services are separately planned and managed, with fundamentally different approaches applied to pricing and managing access. In the early 1990s, state authorities-controlled access to rail networks within their respective jurisdictions and were responsible for operational practices and safety regulation. During the 1990s, due to concerns regarding multiple state authorities and different and inconsistent operational and safety requirements, steps were taken to establish nationally consistent regulation to remove barriers to the entry of train operators. This led to the subsequent development of the Rail Safety National Law and establishment of the Office of the National Rail Safety Regulator. The remit of both the National Law and Regulator is limited to safety and excludes matters primarily related to productivity.

In 1998, the Australian Government, in agreement with the mainland state governments, established the Australian Rail Track Corporation (ARTC) to manage and develop Australia's

interstate track infrastructure as a single entity. ARTC's ownership and lease of the interstate line, or the Defined Interstate Rail Network (DIRN)<sup>1</sup> allowed separate state-based arrangements to be gradually replaced with a single set of common rules, operating standards and access regulations. As part of reforms during the 1990s, the National Access Regime was introduced as part of Part IIIA of the Trade Practices Act 1974, and most state governments have also established access regimes for rail infrastructure. Under this Regime, the ARTC voluntarily submits any revisions to the Interstate Access Undertaking to the ACCC for approval.

While this reform program has provided many benefits, many different access pricing arrangements apply to networks outside the DIRN. Rail operators deal with a complex regulatory landscape with networks covered by either a State-based or the National Rail Access Regimes that are arbitrated by a variety of different government organisations. The variety of access regimes poses challenges for the rail industry, such as the need to arrange and pay for track access through multiple regimes and regulators for journeys involving multiple networks. Rail operators may also be required to review and provide input into multiple access review/determination processes which are not coordinated between network owners and independent regulators.

Rail freight pays access charges (either regulated or commercially negotiated) based on recovering their estimated contribution to the costs of funding, maintaining and operating the rail freight infrastructure. The intermodal rail market competes directly with long distance trucks and the competitiveness of rail depends on various factors including collection and distribution activities and intermodal rail terminals. Some transport and handling costs for freight transported by rail can be avoided through an end to end trip made by road. This means that rail operating costs on the line haul leg are a key driver of competitiveness. In this respect, the way that rail services are charged for network impact on the competitiveness of road freight and vice versa.

### **3. Overview of road access pricing**

The model used for heavy vehicle charging, known as PAYGO, is fundamentally different to the process of pricing the rail network. The PAYGO model was first introduced in 1992 as part of reforms to establish a more consistent national approach to heavy vehicle charges. The model was based on a seven-year weighted average of expenditure on non-local roads by the state and territory road agencies, with earlier years having a lower weighting than later years. PAYGO aimed to allocate costs across all motorised road users, including motorcycles, cars, light commercial vehicles, heavy trucks, heavy buses and special purpose vehicles. Around 22 per cent of the total costs are estimated to be attributable to heavy vehicles, based on engineering and cost estimates.

The approaches taken to attributing costs to each type of vehicle were primarily based on engineering and statistical models to link road use and the need for roadwork. Due to limitations at the time of establishing this system, where models were not available, engineering knowledge from a team of experts and stakeholders was used to collectively identify the causes of the type of road work and translated these into road charges<sup>2</sup>. As a result, some cost allocations were

---

<sup>1</sup> Following reforms to rail competition, access management and asset ownership in the 1990s, the Defined Interstate Rail Network (DIRN) was specified for the purpose of establishing a national network. As a result of the expansion of the network managed by the ARTC, the DIRN came to be seen as the network managed by ARTC. The DIRN does not include important links developed, or under development including the Adelaide to Darwin Railway, the Southern Sydney Freight Line and Inland Rail. Other important links in the national rail freight network that are funded and managed by state governments, such as sections of the shared passenger and freight network in Sydney, are also not included in the definition of the DIRN.

<sup>2</sup> National Transport Commission, 2005, Third Heavy Vehicle Road Pricing Determination: Technical Report.

based on estimations. Road freight access charges do not directly charge users for the roads actually used, or recover the cost of historical assets. In this respect, PAYGO is fundamentally different from rail network charging. While the PAYGO model has not been in use by Australian governments since a decision was taken to freeze charges in 2014, the model provides a foundation for charges that are applied today. Discrepancies in road and rail freight network pricing have increased significantly in recent years and appear likely to increase further in the future.

Table 2 summarises the differences between the two pricing models and highlights the fundamental differences between them.

**Table 2 Differences between rail and road freight pricing**

PAYGO model	Rail Charging Model
Passenger related assets and costs excluded from freight charges	Passenger related assets and cost included in the calculation of access charges
Charges based only on freight’s share of recent (past 7 years) road investment. Older assets are excluded from the PAYGO assessment process	Charges based on asset base (valued on a depreciated optimised replacement cost basis) which includes the value of all asset utilised, some of which were built more than 100 years ago.
Major investments and upgrades subject to rigorous cost benefit analysis	Many recent investments which have been included in the asset base, were not subject to prudence tests including those funded budgetary stimulus packages
No return on investment is included	Assets in the regulatory asset base are expected to provide a return on investment
Straight pass through of freights share of maintenances costs	10% margin proposed for maintenance costs
No differences in pricing across the network	Prices are set to recover costs specific to geographic segments of the network
Any changes proposed by the National Transport Commission must be agreed to by national transport ministers and takes industry concerns into account	Prices are set by a government owner corporation with a mandate to provide its shareholders with a return on assets
Productivity improvements that reduce fuel consumption per GTK reduce road access charges	Prices per GTK do not incentivise productivity improvements

#### **4. Application of road pricing and impact on relative road / rail access price discrepancies**

Under PAYGO, prices are set based on recommendations being put to Transport Ministers who then decide on Determinations and annual adjustments, rather than through an independent regulator as is typical of other infrastructure assets (including rail). As detailed below this has resulted in the politicisation of road pricing decisions over time.

## History of PAYGO pricing since 2006

In response to claims of uneven distribution and underpricing, in 2006 the Productivity Commission released a report investigating road and rail infrastructure pricing<sup>3</sup>. The Commission concluded that despite other claims being made by industry bodies, under the PAYGO approach, capital costs are fully recouped in the period in which they occur. The Commission stated that while some vehicle classes over-recovered costs, and some under-recovered, across the board heavy vehicles covered the network-wide costs attributable to them. Since this time, the process has been highly politicised, and has involved frequent changes to redistribute costs from certain classes of vehicles to others.

In late 2007, the National Transport Commission (NTC) recommended major changes to correct for under recovery of costs from B-doubles which had increased in use significantly in the long-distance freight market. As a result, registration charges for 'interlink' trailers<sup>4</sup> used for b-doubles increased from \$1,065 in 2007/2008 to \$6,525 in 2011/2012. This combined with increases in registration charges for prime movers used for B-doubles meant that the charge for a nine-axle B-double combination increased from \$8,041 in 2007/2008 to \$20,814 in 2011/2012, an increase of 158%.

After sustained pressure from the heavy vehicle industry, a review of A-trailer charges was undertaken in 2011/2012, and changes to the model were made which primarily involved changing the way that costs were distributed across different vehicle classes. The NTC recommended that A-trailer charges be reduced which Ministers agreed to in February 2012.<sup>5</sup> Costs for other vehicle classes, particularly those used more heavily in metropolitan areas such as truck and dog combinations and rigid vehicles increased by between 10% and 32%.

In 2014, the NTC conducted an investigation into PAYGO and announced that the system consistently overcharged truck and bus operators by overestimating the number of heavy vehicles on the road. This was because the PAYGO model compared a lagged heavy vehicle population with the most up-to-date expenditure figures. As a result of this analysis, the NTC recommended cutting registration charges by 6.3% and the fuel levy by 1.14c a litre from July 1, 2014. This proposal was not supported by jurisdictions, and Transport Ministers decided to freeze the charges at 2015-16 levels for two years<sup>6</sup>. At that time, total revenue collected from heavy vehicles (including trailers) was estimated to be \$1.19 billion, against total national road expenditure of \$11.82 billion.<sup>7</sup> In November 2017, Ministers agreed to freeze heavy vehicle charges at 2017-18 levels for a further two-year period (2018-19 and 2019-20). By the end of this period, total road expenditure had increased by over 30 per cent to \$15.76 billion.<sup>8</sup> In late 2019, Ministers decided to increase heavy vehicles charges for all categories of vehicles by 2.5% in 2020-21, and a further 2.5% increase in 2021-22, citing the extended period of frozen charges as a key reason<sup>9</sup>. The communique issued from Ministers noted that the increase was substantially lower than the amount of 11.4% estimated by the NTC as necessary to recover the heavy vehicle share of recent road construction and maintenance costs.

<sup>3</sup> Productivity Commission, 2006, Road and Rail Freight Infrastructure Pricing, Australian Government.

<sup>4</sup> Based on tri-axle combination

<sup>5</sup> See p10 of [https://www.ntc.gov.au/Media/Reports/\(8300FD66-9812-EAB9-F235-D18F56C49105\).pdf](https://www.ntc.gov.au/Media/Reports/(8300FD66-9812-EAB9-F235-D18F56C49105).pdf)

<sup>6</sup> Transport and Infrastructure Council, 2014, Communique, Alice Springs, Friday 23 May 2014.

<sup>7</sup> National Transport Commission, 2014, Annual Report 2013-14, Tables H2 and H3

<sup>8</sup> National Transport Commission, 2014, Annual Report 2013-14, Table D5.

<sup>9</sup> Transport and Infrastructure Council, 2019, Communique, Melbourne, Friday 22 November 2019.

Given reductions in registration charges implemented prior to these decisions<sup>10</sup>, road user charges for the key vehicle used for interstate transport (B-doubles) remained constant for seven years to 2019/20.

Through this period rail freight network prices continued to be set according to a process that considers asset investment value and have increased at the rate of inflation. This has resulted in a significant discrepancy between the rate of change in road and rail freight access prices over this period (Table 2).

**Table 1 Rail and road freight access Charges 2012/13 – 2020/21**

	Compound average annual growth	Total increase
Road user charges (B-double)	0.3%	1.4%
ARTC rail access charges	2.2%	22.3%
Road freight index	2.2%	21.7%
Rail freight index	4.9%	54.4%

Government agencies have also been investigating reforms to heavy vehicle charges to replace the PAYGO model, including the concept of a forward looking cost base and independent price regulator since 2015. In late 2018, the Transport and Infrastructure Council noted work “testing the feasibility of establishing of a forward looking cost case, with further work on this to occur in 2019”<sup>11</sup> In May 2021, Transport Ministers agreed on a pathway to reforms to how heavy vehicle charges are set and invested, with a schedule of gateway decisions on specific reform elements. This is targeting a ‘cascading roll out’ from 2024<sup>12</sup>. Given this and issues with the pricing of the interstate rail network discussed later, it appears that discrepancies between road and rail pricing will remain for the immediate future.

## 5. Road freight productivity

Uneven pricing of rail and road networks is very likely to have contributed to increased use of heavy vehicles for freight transport particularly on the key Melbourne – Sydney – Brisbane corridors. Rail competitive position has also been impacted by falling costs of heavy vehicle operation over the same period. This reduction in costs has been in part due to significant investment in roads and technological improvements such as improvements to systems and engines used in heavy vehicles and increased take up of high productivity vehicles (HPVs). In the last 10 years, the heavy vehicle industry has embraced technological innovation and are competing with rail to transport regional bulk and long-distance containerised freight products. Between 2008 and 2018, there was a 27 per cent increase in registered articulated trucks like B-doubles, B-triples and road trains.<sup>13</sup>

During the period of frozen heavy vehicle charges there was significant investment in road infrastructure including: Duplication of the Pacific Highway which materially reduced travel

<sup>10</sup> National Transport Commission (2012) Heavy vehicle charges - Report to the Standing Council of Transport and Infrastructure February 2012.

<sup>11</sup> Department of Infrastructure, Regional Development (2015) Transport and Infrastructure Council Communique, Sydney, 9 November 2018

<sup>12</sup> See Department of Infrastructure, Transport, Regional Development and Communications (2021) Infrastructure and Transport Ministers’ Meeting Communique, 28 May 2021 and <https://www.infrastructure.gov.au/transport/infrastructure-transport-ministers/files/15th-infrastructure-and-transport-ministers-meeting-communique-28-may-2021.pdf>

<sup>13</sup> Australian Bureau of Statistics

times and increased freight reliability on key east coast routes, and upgrades to the Newell Highway, improving interstate accessibility, freight efficiency and safety.

At a time when road access charges for heavy vehicles have declined in real terms, operating costs for heavy vehicles have also decreased as state governments are now providing stronger incentives for higher productivity. This has and will continue to place rail at an even greater disadvantage compared to road.

Material technological improvements in road freight technology are expected to continue to improve productivity over the next decade. The National Freight and Supply Chain Strategy and numerous state freight plans have identified the need to remove barriers for operators to register performance based standard (PBS) vehicles. The PBS scheme allows more flexibility in how trucks are built rather than the traditional approach to regulation involving prescriptive definition of vehicle characteristics which manufacturers and operators must adhere to.<sup>14</sup> PBS vehicles allow operators to move more freight using vehicles that occupy the same amount of road space as conventional vehicles. For example, a PBS 2B vehicle has similar overall dimensions to a B-double but can transport four shipping containers (TEUs) compared to three. A recent evaluation of the PBS scheme found that these vehicles provide substantial cost savings to operators, industry and the community. Various recommendations to improving the scheme have recently been made by the NTC and are being implemented by The National Heavy Vehicle Regulator.<sup>15</sup> State governments are also developing clearer policy regarding access for PBS vehicles<sup>16</sup>. By 2034 it is estimated that truck operators will save \$17.2 billion in costs using PBS vehicles.<sup>17</sup>

These reforms aim to define clearer networks plans for HPVs to encourage the road freight industry to invest in safer and more productive vehicles i.e. vehicles which can transport more in a given trip using the same driver. Registration charges for these vehicles are the same as non-PBS vehicles.

## 6. Current rail price reform process

In early 2018, ARTC submitted the 2018 Interstate Access Undertaking application proposal to the ACCC for approval. The Undertaking was intended to replace the 2008 Undertaking which was due to expire December 2018. The main proposed change was to allow the ARTC to use a ‘negotiate-arbitrate’ model for setting access charges.

Unlike the existing Access Undertaking which involved charges being applied consistently across different lines and rail operators, changes were proposed to give the ARTC the discretion to negotiate charges with rail operators within a band of ceiling and floor prices. It was proposed that these prices would be based on the costs likely to be incurred within an access period and the revenue consequently required by the provider to meet those costs. The ‘floor limit’ would be based on the revenue to cover the incremental cost of that rail segment or group of segments. The ‘ceiling limit’ would be the full economic cost of those segments which are required for

---

<sup>14</sup> This involves vehicles having to meet 16 safety and performance standards and 4 infrastructure standards to be given the appropriate level of access on the road network. Vehicles must also be fitted with, at least, a Euro 4 diesel engine to reduce harmful emissions, noise and improve fuel efficiency.

<sup>15</sup> See National Heavy Vehicle Regulatory, 2021, National harmonisation program

<https://www.nhvr.gov.au/road-access/national-harmonisation-program#:~:text=The%20NHVR%20has%20established%20the,across%20state%20and%20territory%20border>

<sup>16</sup> For example, see Transport for NSW, 2018, Moving More with Less: NSW Heavy Vehicle Access Policy Framework.

<sup>17</sup> National Transport Commission, 2017, Assessing the effectiveness of the PBS Scheme, Discussion Paper, August 2017.

the access holder. Within this bracket, the actual prices charged by rail infrastructure providers generally are negotiated and market based. The gap between regulated floor and ceiling bands means that access seekers may not have indication of what their actual charges until negotiating with ARTC as the access provider.

The proposal was strongly opposed by the rail industry because of the likelihood that it would increase prices and undermine the certainty needed for future capital investment. Also, in the view of operators, the proposed Undertaking did not include sufficient changes to improve the management of the network, such as mandatory performance standards and transparent performance indicators.

In late 2018, the Australian Competition and Consumer Commission (ACCC) rejected the Undertaking, citing concerns with the method used by ARTC to derive prices and the impacts this would have on the rail industry. The Decision:

- Proposed a lower weighted average cost of capital.
- Suggested changes to the asset roll forward that could significantly reduce the value of assets used to calculate the ceiling tariffs.
- Removed the proposed margin on operating and maintenance costs.
- Asked the ARTC to provide details of the key assumptions used to determine floor and ceiling prices on individual corridors, along with more detail of the prudence of its capital investments and maintenance costs.
- Noted a range of errors and inconsistencies in the proposed pricing model.

This was a significant decision that highlighted major limitations with the model and process for rail network pricing. In early 2019, the ARTC withdrew its proposed access undertaking for the interstate rail network from the ACCC's consideration. After subsequently proposing to increase prices across the network by CPI, in April 2021 the ARTC submitted an application to extend the term of its 2008 Interstate Access Undertaking to 30 June 2023<sup>18</sup>, with a continuation of the CPI increases each year.

## **7. The need to rethink rail access pricing**

Inconsistent pricing and uncertainty about future pricing disadvantages rail freight over road and impacts on long term investment by the rail freight industry, which requires longer periods for return on investment compared to road freight. Pricing certainty is needed maximising the value of government investment in the rail sector including long term projects such as Inland Rail.

The publicly-funded nature of land transport infrastructure underpinning the national freight task requires all governments assess the efficiency and prudence of the road and rail infrastructure networks delivering freight between origins and destinations, including assessing the cost/benefits of economic externalities from the land transport freight movements.<sup>19</sup>

Both above and below rail infrastructure assets are characterised by large capital costs, thus any volume increase which does not require capital investment substantially benefits both rail operators and rail infrastructure owners. This is implicitly reflected by ARTC in the 2018 IAU where it states “As part of ARTC’s philosophy it seeks to encourage utilisation of the

---

<sup>18</sup> See ACCC, 2021, ‘Extension of the 2008 Interstate Access Undertaking (to 30 June 2023)’, <https://www.accc.gov.au/regulated-infrastructure/rail/artc-interstate-access-undertaking/extension-of-the-2008-interstate-access-undertaking-to-30-june-2023/application>.

<sup>19</sup> Commonwealth Government, Inquiry into National Freight and Supply Chain Priorities, Supporting Paper No.3 Road and Rail p.7.



network...”.<sup>20</sup> The most obvious source of a potential freight volume increase for the interstate rail network is the freight volume that currently moves by road. This opportunity for modal shift is particularly relevant on the North South Corridor where a small change in mode share could result in a significant volume of freight transferring from road to rail.<sup>21</sup> Other sources of potential volume growth include seasonal agricultural products and freight tasks with uneven volume profiles which may require the negotiation of specific arrangements to make rail haulage viable.

There is limited up to date information available on rail mode on interstate corridors, but what is available suggests that rail freight volumes are growing more slowly compared to road. Strategic freight modelling undertaken by Transport for NSW in 2018 suggests that rail mode share on the Sydney to Melbourne corridor is around 8%, and around 4% on the Sydney to Brisbane corridor. For the Sydney to Melbourne Corridor, road freight is forecast to increase by 78% between 2016 and 2056 compared to 61% for rail. For the Sydney to Brisbane Corridor, road freight is forecast to increase by 94% between 2016 and 2056 compared to 73% for rail.<sup>22</sup>

It is into this competitive landscape that new thinking is needed about the way that pricing and access arrangements are managed for the national rail network.

## **8. Developing a new policy agenda**

### **1) Rail investment should be outcome rather than infrastructure focused**

Australian governments have invested heavily in below rail infrastructure over the past ten years with the goal of increasing rail freight’s market share. To date this investment has failed to achieve its objectives. One option would be to make the investment outcome focused and ask for proposals which deliver the required outcome. This would allow above rail options to be considered as means of improving capacity, reliability and travel times rather than the current approach of investing only in below rail infrastructure. The declining competitive position and market share of the intermodal rail freight industry have made it difficult for the private sector rail operators to justify major investments in their fleets of locomotives and wagons.

### **2) The below rail pricing approach should be made consistent with the road pricing approach**

As detailed above the differences between the way in which road and rail freight access prices are set has resulted in a material increase in the cost of rail relative to road over the past ten years. Unless changes are made it would be expected that this trend will continue into the future. Companies which are investigating setting up their supply chains around the new inland rail network, for example, would be expected to include the material risk of higher rail access charges (relative to road) in their business models. A revised below rail pricing approach needs to be developed that takes into account the current road pricing model, to provide certainty to potential investors in the rail sector. Based on changes over the past decade, it can no longer be stated that road freight registration charges reflect their relative marginal cost as required to meet the terms of competitive neutrality.<sup>23</sup>

---

<sup>20</sup> Australian Rail Track Corporation, 2018, 2018 Interstate Network Access Undertaking (IAU), Section 3.1

<sup>21</sup> ARTC estimates that the current mode share for rail on the North-South corridor is 24%. See *ACCC 2018 IAU Consultation paper*, page 8.

<sup>22</sup> See Transport for NSW, 2018, NSW Freight Commodity Demand Forecasts, Final Report – August 2018, Tables 40 and 42.

<sup>23</sup> Productivity Commission, Road/Rail Freight Infrastructure Pricing, December 2006, p209.



### 3) A mechanism for incentivising rail productivity improvements needs to be developed

Government is currently partnering with members of the rail industry to improve the productivity and safety of Australia's rail network. The NTC has established three industry and government working groups to deliver the National Rail Action Plan<sup>24</sup>, approved by Ministers in 2019. The Plan aims to improve the delivery of rail infrastructure and improve safety and productivity of rail operations and provides an agreed set of actions that will be undertaken by the Commonwealth, state and territory governments and key members of the rail industry. Improving interoperability has been identified as a key element of the National Rail Action Plan. Harmonisation and Skills and Labour are also key areas of focus for the NRAP.

The renewed focus of governments on rail productivity has been strongly welcomed by the rail freight industry. The NRAP is focused on infrastructure and labour interoperability, and Mechanisms to incentivise rail productivity improvements should be considered by policy makers. This could include

- innovation programs for rolling stock design and productivity, similar to the role that Governments have played in sponsoring and funding the PBS scheme for heavy vehicles.
- options to improve the process of arranging access on multiple rail networks, and other initiatives to reduce the administrative burden that rail operators bear in dealing with multiple access regimes.
- independent and consistent monitoring of rail network performance, with publication of performance measures (see point 4 for further discussion).
- programs to deliver small scale improvements to network performance, similar to pinch point and clearway programs for roads (e.g. incentivising network managers to improve parts of networks with permanent or semi-permanent speed restrictions), subject to understanding how these can improve rail's service offering and potential impacts on mode share.
- reforms to rail access regimes and pricing arrangements to make pricing more consistent across the national network<sup>25</sup>.

Such programs and reforms could build on work being undertaken to develop the NRAP, with the option of funding some of them (such as programs to improve rolling stock productivity) with reductions or offsets to rail access charges.

### 4) Better information is needed on inter-capital freight movements

Over the past decade, governments have invested heavily in infrastructure to improve the performance of interstate freight services. Over \$2 billion was invested in the Southern Sydney Freight Line, and Stage 1 of the Northern Sydney Freight Corridor.<sup>26</sup> Despite this, it is difficult to know with currently available information whether these projects have had a material impact on the competitiveness of rail freight. Published data sources provide intermodal tonnages on the interstate network operated by ARTC and Arc Infrastructure<sup>27</sup>, but no comparable

<sup>24</sup> National Transport Commission (2019), National Rail Action Plan.

<sup>25</sup> This could build on work being led by the National Transport Commission as part of the NRAP to redefine the national rail network.

<sup>26</sup> See Australian Consumer and Competition Authority (2012), *Australian Rail Track Corporation's proposed variation of the Interstate Rail Network Access Undertaking to include Southern Sydney Freight Line Indicative Access Charges*, Consultation Paper and Railway Technology (2021) *Northern Sydney Freight Corridor Upgrade, New South Wales*

<sup>27</sup> See Bureau of Infrastructure and Transport Research Economics (2021), *Trainline 8*.

information is regularly collected on inter-capital road freight movements meaning that rail freight mode share cannot be consistently, or reliability calculated. Given the extensive use of in-vehicle telematics in road freight fleets and the deployment of intelligent transport systems on major roads<sup>28</sup>, better data on inter-capital road freight movements can now be collected on a cost effective basis. This should be a priority for the \$16.5 million National Freight Data Hub to support the development of future rail policy.

## 9. Summary

Australian governments have demonstrated their commitment to rail through below rail infrastructure investment but more holistic reform agenda will be required to ensure rail is able to compete with the highly competitive and increasingly productive road freight industry. Two key areas of reform which require focus are rail access pricing and government rail investment. Current policy settings in these areas have resulted in a rail access pricing increasing significantly more quickly than road access prices and a focus on below rail investment at the expense of potentially more productive above rail options. New thinking is needed about the way that pricing and access arrangements are managed for the national rail network. We have suggested four policy areas that governments could focus on to reinvigorate reforms pricing and access arrangements for the national rail network and enhance rail productivity. Reforms could build upon implementation of the NRAP to maximise the benefits of rail network investment planned over the next decade.

---

<sup>28</sup> For example, Safe-T-Cam, which is used in NSW and South Australia, and the National Safety Camera network which is currently being rolled out by the National Heavy Vehicle Regulator.