

# The prospects for short line operations in New South Wales



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**B**ack in January 2004, Frank Lander and Geoff Smith wrote an article for *Railway Digest* entitled ‘NSW branch lines: has the time come for the Australian short line revolution?’ They called for both political and rail industry leaders to think outside the square on the potential for a North American style revival of regional branch lines, and speculated that NSW could be the first state in Australia to do it. More than 12 years have passed and the ‘short line revolution’ in NSW is yet to emerge. Some upgrading of the NSW Country Regional Network (CRN) has occurred and many branch line operations are now more efficient. Several rail operators have found markets for their services and have successfully bid for regional contracts. There have been moves towards greater flexibility in administration, of the kind Lander and Smith called for. All this has probably kept some freight on rail which would otherwise have been lost. However, it has happened without any clear policy direction. No state government has indicated either how it would respond to further loss of regional rail traffic volumes or what might be done to reinstate services on any of the many disused lines, other than ad hoc precedents. However, in 2016 we are seeing developments that could become precursors to policy development.

On 8 August, 2016, the New South Wales Minister for Freight Duncan Gay MLC said ‘The freight transport network is the backbone of country NSW and we need to improve its efficiency to take more freight off our local and regional roads’. The statement was made with the announcement of \$14 million allocated to rail infrastructure projects under the Fixing Country Rail pilot program. Minister Gay described the funding as ‘a massive win for regional communities, economies and the state’s producers.’<sup>1</sup> The idea of increasing rail’s share while reducing the burden on roads has rarely been raised by NSW Governments.

The Fixing Country Rail program could become a platform for the development of an active regional rail freight policy to address the current policy vacuum. The idea behind the program is based on Fixing Country Roads, in which the State Government sought applications from local government for funding to fix ‘connectivity constraints’ on local roads. Local government has responsibility for local roads and would be well aware of problems with them, but as yet we have no ‘local’ railways. Remembering that the State Government owns the

**Above: On Tuesday, 22 March, Southern Shorthaul Railroad operated a 21-wagon grain train to Beanbri on the Narrabri West to Walgett line in north-west NSW, using the company’s Clyde/EMD units 4910 and 4904. The train is about to pass the site of Bugilbone, 107 kilometres from Narrabri West. John Hoyle**

CRN, it is tempting to be cynical and ask why the Government could not identify its own problems. But thinking more positively, the Fixing Country Rail program implies recognition that local and industry/customer knowledge is useful for rail development.

Even if this program is about the State Government funding itself, as all the current funding goes ultimately to Transport for NSW, it may be indicating the beginning of a change in the relationship between levels of government with respect to rail freight issues. Local government was the applicant for one of the six projects funded. Hilltops Council, being the recently amalgamated Boorowa, Harden and Young Shire Councils, received the largest sum: \$5 million for the 35 kilometre section of the disused Blayney-Demondrille line from Demondrille to Maimuru. The other successful applicants were grain companies and Access Recycling in the ACT. It is of note that Harden and Young Councils, along with Blayney, Cowra and Weddin Shires, have been working towards reinstatement of the Blayney-Demondrille line since 2009. The funding for Demondrille to Maimuru, though limited, follows an undertaking made in April 2015 to ‘maintain a close watching brief over how the Cowra Lines and other non-operational rail lines in regional NSW can be brought back into operation where sustainable freight demand exists’.<sup>2</sup>

In late 2015, the NSW Government established a ‘Regional Intermodal Taskforce’.<sup>3</sup> It was due to report earlier this year but, at the time of writing, no report had been released. The Task Force was to ‘assess the fitness for purpose, financial viability and sustainability of existing and proposed intermodal terminals in regional NSW’. On 26 November, 2015, Transport for NSW called tenders for the reinstatement of the Yanco to Whitton and Cootamundra to Tumut lines,<sup>4</sup> expecting to complete the tender process by the end of 2016. Considered together, these developments and others could lay firm groundwork for a rethink of the potential of NSW’s regional rail system under a short line model.

## Why the policy vacuum?

The policy vacuum can be attributed to a wide range of factors<sup>5</sup> including:

1. narrow thinking that is resistant to change, making experimentation difficult and learning that challenges existing assumptions remaining limited;
2. strategic control of suitable equipment predominantly resting with existing mainline operators;
3. negative frames of reference around the potential role of branch lines in local / regional economic development;
4. lack of community 'ownership' of and interest in the outcomes / potential delivered by branch lines;
5. the popular notions that rail costs, particularly capital costs, are very high;
6. a misplaced belief that rail is not suited to freight hauls of less than 1000 kilometres;
7. many branch lines becoming dependent on grain while some also carry other freight, but all being labelled 'grain lines';
8. a one-size-fits-all approach to rail regulation and policy;
9. politicisation of branch line disuse (and reuse) processes; and,
10. government and industry-wide focus on promoting competition as opposed to fostering cooperation.

Given the recent developments discussed above, points 1 to 4 could become less significant. Point 2 may have weakened with recent equipment sales. Numbers 5, 6 and 7 should be relatively easily dismissed, but they persist in government and industry. Point 8 is perhaps the most challenging as it requires cooperation among governments. Nine and 10 could be challenged amid government decision-making arising from the Fixing Country Rail program, the current calls for tenders and the Regional Intermodal Task Force report.

## Lessons from Canada and the United States

In contrast to Australia, the North American short line system has shown how apparently non-viable (ie those with seemingly insufficient traffic density) branch lines can be made viable.<sup>6</sup> Alongside extensive abandonment of branch lines, sufficient of them have been retained, and have prospered, to contribute around 25 per cent of Class 1 main line traffic.<sup>7</sup> Since rail deregulation in 1980 in the United States allowed the Class 1s to cease operations on low density lines, about 550 minor lines have

been abandoned by the big companies but either continued or revived as relatively autonomous regional and 'short lines'. In general, survival has been achieved through local management raising traffic density. In many situations, the short lines enable door-to-door, origin to destination service, thereby avoiding transshipment costs. To use terminology often applied by advocates for road upgrades, these are 'last mile' railways.

We are aware of scepticism about the potential for application of a short line model in Australia. The North American short line system is aided by the Class 1s' retention of car-load service. We would argue that an equivalent to car-load, or at least less than train-load, service is possible and does occur in Australia, either involving or not involving containerisation. Other contrasts include vertical integration in North America; negative perceptions of the very small operations sometimes pejoratively labelled 'ma and pa railways'; and the different and sometimes more flexible regulatory environment in North America. None of these features is necessarily either prohibitive or even relevant, as long as the defining characteristic of the short line model is retained. From an Australian perspective, localised management is that defining characteristic.

The capacity to identify potential sources of rail freight and, through them link freight sources with their customers, is what has enabled the success of the short line system. Short lines are not branch lines in management terms – they are independent entities. Not every short line has succeeded, but successes have far outweighed failures.<sup>8</sup> In a documented US case, a small company, after buying a branch line from a large corporation, was able to double its new line's customer base in eight years.<sup>9</sup> In addition to being transport providers, short line operators are often significant local employers and contributors to community life. They do remain dependent on main line operators, but traffic offered is generally welcomed in North America, as accepting it involves relatively little or no additional cost and somebody else is taking the trouble to obtain it.

There are some aspects of Australia's rail freight system which should simplify and facilitate short line development. The railways in question are all in government ownership and all state governments are equipped with railway administrative apparatus. In North America, when abandonment has arisen, local and provincial/state governments have often become involved in rail freight issues where they have had no responsibilities in the past. In Australia, this problem is encountered by local government which has engineering expertise with respect to roads, but not rail.



Great Sandhills Railway operates and maintains a caboose for community activities, including offering rides for folks of all ages. Seen here departing Leader eastward on Great Sandhills Railway's Empress Subdivision August 5, 2015. Aaron Wenzel courtesy Great Sandhills Railway

Vertical integration, as practised in North America, is both a positive and a negative when considered for Australian application. It is a plus in that it ties the local railway to local interests, but looking to the main line context, it generally ties the short line to just one main line operator. Open access can provide more than one main line operator which the local operator can offer freight to in a competitive environment on the main line. The local interest advantage of vertical integration, without prohibiting open access, was recognised by the NSW Government in its 2014 request for tenders to 'restore, operate and maintain the Cowra Lines... It proposes an innovative, market-based model under which the private sector would fund the Cowra Lines and manage the risk of this investment. This approach will also ensure there is sustainable demand for freight on the lines'.<sup>10</sup>

A need for 'fit for purpose' track standards, as applied in North America, is sometimes said to prohibit a short line model in Australia. Certainly the flexible approach taken in North America has allowed operations to be tailored to conditions. This may be more readily applicable under vertical integration, as recognized by Lander and Smith. It can mean simply lowering speeds where higher speeds are unnecessary. 16 km/h maxima are not uncommon in North America. Such conditions may be prohibitive for main line operators and are not ideal for any operator. However, where freight might otherwise be raising road maintenance and other costs, the community of interest in sustaining the rail network is easily recognisable.

### Back to Australia

The idea of increasing efficiency under lower speed conditions over a section of track has some currency here, as indicated by the December 2015 trial of a 'mega' grain train in northern NSW assisted by the ARTC. The trial drew positive comment from the ARTC CEO and the Deputy Prime Minister.<sup>11</sup> Interestingly, the concept of fitness for purpose is mentioned in the terms of reference for the NSW Regional Intermodal Task Force. How it is interpreted in that context should be revealed when the Task Force report is released.

With respect to grain, the big-picture question as to how grain is to be most efficiently consolidated for movement to port, remains without a policy mechanism for the ongoing review it needs. This is despite the many recommendations and decisions made following the Grains Infrastructure Advisory Committee report of 2004, the joint Commonwealth-State

NSW Grain Freight Review of 2009, a Churchill Fellowship report<sup>6</sup> that year and the 2012 IPART Review of access pricing on the NSW 'grain line' network.

Might flexibility similar to that practised by ARTC in 2015 be applied to the CRN of NSW? There is a strong case where freight volumes appear to be low but local interest and promotion offer potential to raise them.

In Australia, the greatest hindrance for short line development is local and state government reluctance, associated with and fostered by the factors in the ten points above. Rail is seen as an exclusively state government matter; local government experience is non-existent, other than among those councils which have worked directly on rail revival issues; and the distance mantra still prevails. It is not necessary to wait for maintenance cessation threats to hang over branch lines before establishing the conditions for locally-administered railways. An access regime for currently operational branch lines, which helps to facilitate local operations, would be among those conditions. Ongoing support might be granted to cover access charges where establishment of a local operation shows potential to grow rail freight and thereby reduce road maintenance and other costs. Road transport may choose to compete on price even where rail's operating costs are lower, but is unlikely to maintain low prices when the rail service is lost.

A short line system has its advocates. In 2007, The Commonwealth Parliamentary report *The Great Freight Task* states that 'the concept of local businesses and authorities arranging to take over the short regional lines, with some help from the State or Australian governments, could be a useful way of keeping the [rail] infrastructure available'.<sup>12</sup> Support has also recently come from another parliamentary source. The Chairman of the Western Australian Parliament's Economics and Industry Standing Committee stated that 'Western Australia could do worse than look to the United States and Canada where governments have realised the importance of railway, including short or branch lines, and provided a number of programs to facilitate increased capital investment and encourage their use'.<sup>13</sup> In the Western Australia situation, the suggestion appears to have disappeared under the subsequent dispute between the private infrastructure lessee, Brookfield Rail, and the principal operator, CBH.

A policy framework which explicitly supports investigation of the potential for a short line type of system in NSW would be a starting point, especially if it gives due consideration to the means by which such systems can be established. Though not as complex as the situations

**The 53 kilometre Burren Junction to Merrywinebone line, in north-west NSW, is currently only used by irregular grain trains serving the GrainCorp's Merrywinebone storage facility. One such grain train that visits Merrywinebone is Pacific National's feeder service to Manildra Group's Gunnedah flour mill which sources grain from various storage sites around north-west NSW. In this Friday, 6 May view, Pacific National's 48101 and GrainCorp's 48213 and their train (No. 5538) of 20 Manildra MHGX wagons has just departed Merrywinebone for Gunnedah. The line once continued 16 kilometres to Pokataroo, 15 kilometres south of Collarenebri.**  
John Hoyle





**Grain and energy products provide staple revenue for Saskatchewan short lines. Three leased GP38s head a tanker train on the Great Sandhills Railway passing a modern grain terminal (silo) just outside Leader, Saskatchewan on a pleasant Wednesday June 16th, 2016. Ted Rafuse courtesy Great Sandhills Railway**

confronted by some state/provincial governments in North America, development of a short line policy in NSW should confront the issues raised in the ten points above. Of primary importance is the matter of process. How might a short line model be implemented? To date the approach taken by Government to line reinstatement has involved calling for competitive tenders for, in effect, provision of a service to government. This is questionable when the business of providing such a service appears, on the surface at least, to be a risky way to obtain a return on investment.

A better approach could be based on the notion of obtaining a service for local industry; something which government as infrastructure owner has an obligation to do because that infrastructure may have significant potential to benefit local industries and communities if it can be used efficiently.

Working out how to use railways efficiently to move regional freight is something which, as North America has shown, can be done at the local level. Doing so, however, is more likely to be fruitful when undertaken collaboratively rather than competitively. Perhaps the momentum towards policy formulation, implicitly appearing alongside reconsideration of regional branch lines in NSW, could be strengthened if such a change in thinking were adopted.

*Ian Gray of Charles Sturt University, Philip Laird of the University of Wollongong and Nick Montague of the Queensland Department of Transport and Main Roads prepared in 2015 a paper 'Rail Freight for Regional Development' (see note 5 following). The views expressed in this article, which updates most of the paper, are those of the authors alone.*

*All three authors have some first hand knowledge of rail operations in Canada and suggest, as did the Neville Parliamentary Committee in 2007 in its report 'The Great Freight Task', that Australia can learn from Canada in short line rail operations.*

## Notes

1. <http://freight.transport.nsw.gov.au/network/rail/fixing-country-rail/index.html>, accessed 16 September 2016.
2. <http://freight.transport.nsw.gov.au/network/rail/cowralines.html>, accessed 16 September 2016.
3. <http://freight.transport.nsw.gov.au/network/intermodal/rit.html>, accessed 16 September 2016.
4. <http://freight.transport.nsw.gov.au/network/rail/riverina-rft.html>, accessed 16 September 2016.
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9. Blanchard, R. (2011). "Short Lines vs the Great Recession." *Trains*, 71(6): 38-43.
10. <http://freight.transport.nsw.gov.au/documents/cmcc/fcr-cowra-lines-tender.pdf> accessed 21 September 2016.
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13. Blayney, I. C. (2014) 'Chairman's Foreword' in Economics and Industry Standing Committee, *The Management of Western Australia's Freight Rail Network*, Economics and Industry Standing Committee, Report Number 3, Parliament of Western Australia, Perth.