REGIONAL RAIL REVIVAL

Bryan Nye, CEO ARA

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The ARA

- **Who we are**: a member-based association that represents the interests of the rail sector

- **Our purpose**: to create an environment that will permit the Australasian rail industry to prosper

- **Who we represent**: all rail operators, both private and government, track owners and managers, manufacturers of rollingstock and components, and other aspects of the rail industry
Rail Industry: Size

- Labour force: 44,210 people (+9.5%) (+70,000 working in industries supporting rail)
- Investment Commitments in rollingstock and track: $36 billion
- Track: 44,262 km in Australia
- 770 million annual customer journeys
- 853.5 million tonnes of freight moved across the country
- Over 1,800 locomotives and 32,000 wagons and carriages
## Transport and Rail

<table>
<thead>
<tr>
<th>Freight</th>
<th>Moving People (intra-region)</th>
<th>Moving People (inter-region)</th>
</tr>
</thead>
</table>
| • 1 billion tonnes of mining product transport on rail  
• The state of intermodal freight  
• The uncertainty of grain freight  
• 1 new train consist needed every week to handle mining growth | • 770 million passenger journeys p.a.  
• Over 5% growth p.a.  
• 60 thousand new passenger journeys every week  
• 300 new passenger cars every year | • Rail needs to pick up its game in this area  
• Solution: High Speed Rail |
Freight Network

Rail’s share of containerised freight
## Rail Freight – The Big Picture

<table>
<thead>
<tr>
<th></th>
<th>2008/09</th>
<th>2009/10</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>Coal</td>
<td>282.73</td>
<td>318.62</td>
<td>12.7%</td>
</tr>
<tr>
<td>Ore</td>
<td>350.7</td>
<td>412.02</td>
<td>17.8%</td>
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<tr>
<td>Sugar</td>
<td>25.88</td>
<td>27.57</td>
<td>7.7%</td>
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<tr>
<td>Bauxite</td>
<td>18.03</td>
<td>17.91</td>
<td>-0.67%</td>
</tr>
<tr>
<td>Other Bulk</td>
<td>56.74</td>
<td>56.79</td>
<td>-</td>
</tr>
<tr>
<td>Non-Bulk</td>
<td>18.84</td>
<td>17.94</td>
<td>-4.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>755.29</td>
<td>853.46</td>
<td>13.39%</td>
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</table>

* Numbers in million tones.
Rail Freight moves nearly 1 billion tons of goods p.a. (2012)

Bulk Commodities
931 million tons

Non-Bulk Commodities
20 million tons

Grains 3-4%

Source: Royal Bank of Scotland Transport Equities Update (2012)
Trends In Modal Share – Road vs Rail

Key questions:
• Is inter-city rail freight in terminal decline, or can it make a significant contribution to the national economy?
• If it can make a significant contribution, what in broad terms is required to make this happen?
Coal and Iron Ore

Source: Royal Bank of Scotland Transport Equities Update (2012)
Optimise Grain Lines
Cowra Rail Line Revival

• Almost $2m tons of freight - Grains, mineral freight and manufactured goods

• Business Case exists for the revival of the line

• Conditional: freight volume must be secured

• The Way Forward:
  – Operating and governance framework to support the revival of the lines
    • Regional infrastructure model supported by an exclusive franchise

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Freight: A drag on our international competitiveness

- Australia’s geography and relative isolation puts us at a disadvantage in terms of international competitiveness.
- The cost of our freight supply chain is extremely high compared to all other trade oriented economies:
  - Some costs can be attributed to long shipping distances on land and sea, but equally the cost is due to inefficiencies.
  - We have some of the highest costs in terms of land transport to port and in terms of costs from the port gate to shipping.

[Diagrams showing cost breakdowns, e.g., $10-$20 per ton (p.t.), Out loading = $7 p.t., Rail Freight = $46 p.t., Receive at Silo = $7 p.t., Mthly Storage = $2.25 p.t., Title Transfer = $0.33 p.t., Port Storage Handling = $20 p.t.]

Canada does it for ½ the price despite longer distances.
What do rail customers want?
A Woolworths’ perspective

- Reliability (meet advertised availability times)
- Right balance of service, cost and risk
- Customer-focused – understand customers’ needs
- Understand its impact on customers’ supply chains
- Need to be able to compete with road freight – productivity and flexibility
- Logistics – efficient terminal access and locations
- Price

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Freight: Solutions for the future

- Containerisation of grain/changed ownership structure
- A terminals strategy and inland rail route
  - It’s all about reliability, the focus on transit time is just wrong
- Pricing that actually reflects the true value of transport choices
  - We need to get smarter in how we price our transport infrastructure
Freight: Solutions for the future
INLAND RAIL
State of Rail Today – MEL to BNE

- Geographical constraints (Sydney bottleneck)
- Operational constraints (terminal access, locations, no double stacking)
- Bureaucratic red tape (procurement process, slow infrastructure development decisions, cross-subsidy to roads)
- Customer service
- Price

Reliability, Productivity, Flexibility, Service Availability, Price
Increased Freight Task

- Eastern Corridor: Highest freight volume in Australia
- 2 million tonnes of freight each year just simply passes through, adding to congestion on the coastal network
  - (more than 5 million in 2030)
- Tripling of containerised freight by 2050 requires new freight infrastructure
- Demand supports an inland rail route (induced demand, increased market share and larger freight market)
Inland Rail

A $4.4 billion
Melbourne - Brisbane

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Inland Rail: TRANSFORMING the Transport Sector

- Increase rail’s reliability and efficiency
  - double stacking, longer trains,
  - avoids Sydney bottlenecks
  - reduce travel times by 15hrs, train speeds of 110kmph

- Increase rail’s market share
  - 80% on Brisbane - Melbourne
  - up to 25% for shorter legs

- Eastern Corridor: Highest freight volume in Australia

- Use of rail benefits the Australian economy
Inland Rail Alignment Study

- Study’s Objectives
  - Optimum alignment
  - Construction costs
  - Infrastructure operating and maintenance costs
  - Certainty of market take up
  - Timetable
  - The level of private sector support
Performance Requirements

To be viable an inland rail corridor must, as a baseline, provide a superior service for Melbourne – Brisbane freight to that offered by the coastal route, noting that sections of track will be common for both routes.

This includes:

- journey time below threshold demanded by customers, and not at any disadvantage when compared to the coastal route
- equivalent or better reliability of journey time
- equivalent or lower operational costs (fuel and crew)
- equivalent or lower access charges.
Future Demand

• There is demand for the railway that would result in a freeing of rail capacity through Sydney.

• Inland Rail’s share of Melbourne-Brisbane inter-capital freight would be greater than road and other rail.
**The Optimum Route**

**Corridor:** existing corridor from Melbourne to Narromine (with new route from Illabo to Stockinbingal), new route to Narrabri, upgraded track to North Star, new track and upgrading existing narrow gauge track to Kagaru and the existing corridor to Acacia Ridge.

41% existing, 25% upgraded, 34% new track

**Route distance:** 1,731 km

**Transit time:** 20.5 hours (terminal-terminal)

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Much of the inland rail route exists

- Should link to grain rail system – providing grain growers additional options
- Opportunity to link to new/reopened spur lines (e.g. Blayney-Demondrille)
- All make use of existing infrastructure as much as possible
Financial

The financial analysis prepared from the point of view of a track owner indicates

- Inland Rail does not appear viable on a standalone commercial basis.
- It will need some form of government or external financial support.
- It has positive operational cash flows if capital costs are excluded.
Findings

• Improved transit time
  – 7 hours faster and 170 km shorter than the coastal route
• Excludes Shepparton (Vic Govt)
• Links to Toowoomba and Qld plan
• Allows for 1800m double stacked trains
• Supports ATMS
• Provides an alternate route to coastal (flexibility)
Delivery Strategy

• Challenge of planning and approvals
• Study recommended reassessment of timing 2015-2020
• NPV assumed 7% today projects such as HSR 4%
• Further investment must occur Melbourne – Cootamundra
• Developments in Qld could be staged and improve the network
• Reserve and protect the alignment now
Benefits of Rail

• Safety: Safest form of land transport
• Environment:
  – 9 times more energy efficient
  – One train, two drivers – 150 trucks & 45,000 litres of fuel
• Efficient: rail is a cheaper mode of freight transport than road on all inter capital corridors