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## **ISSUES PAPER**

### **ARTC ACCESS UNDERTAKING**

The following comments are offered in relation to the position of State Rail's Countrylink operations in Victoria, under the Access Undertaking by ARTC and the ARTC standard Access Agreement, circulated for comment by ACCC.

#### **Service Overview**

State Rail's Countrylink services comprise two services each way each day of the year, (a "day" train and a "night" train), between Sydney and Melbourne (Spencer Street). The services are run using standard gauge XPT rolling stock, which consists of up to seven trailer passenger cars marshalled between two diesel-powered motor cars. The capacity of the Sydney-Melbourne and return XPT services is 1384 passengers per day in first, economy and sleeping accommodation. Each train is operated by 6 crew and on-board passenger service staff. The value of one XPT consist in 1982 was approximately \$30M.

State Rail XPTs run on the standard gauge track between Albury and Spencer Street, and are the only passenger services normally scheduled to use the standard gauge line. All other standard gauge traffic is freight, to the best of State Rail's understanding. In addition to stops in NSW, including Albury, XPTs stop at Wangaratta and Benalla, where the standard gauge track uses a separate platform face from the Victorian broad gauge track. Seymour is used as a back-up station if required. SRA has in previous years spent significant amounts of money maintaining and upgrading Wangaratta and Benalla facilities for its services.

#### **Operating Environment**

XPT services are operated by agreement between the NSW and Victorian governments, represented by the Department of Transport in NSW and the Department of Infrastructure in Victoria. This agreement deals primarily with operating principles and cost sharing. Also under this agreement, Victoria funded the purchase of 8 additional XPT cars as part of the joint decision to withdraw locomotive-hauled passenger services in 1982 and run all services with XPT rolling stock.

Under the privatisation of the Victorian rail industry in 1999, SRA now needs the following four agreements to formalise its operations in Victoria:

- Inter-government Management Agreement;
- ARTC Access Agreement, covering our use of the standard gauge track from the border to Melbourne (excluding Spencer Street);
- Use of Stations agreement with Victrack, to cover our use of Wangaratta, Benalla and Seymour stations;
- an agreement with National Express (on behalf of Vline Passenger and Bayside Trains) for track access to Spencer Street station, the use of the country platforms at Spencer Street and services including fuelling, decanting, providoring, cleaning and use of an office.

These agreements are not yet finalised, but are the subject of current activity within SRA.

#### **Operating Requirements**

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SRA's XPT passenger services are operating primarily in the tourist market, in various levels of competition with airlines, road coaches and private cars. Their passengers include a substantial proportion of concession fare patrons. XPT service fares are the subject of annual review by both the NSW Government and IPART, and the commercial flexibility available to SRA in setting country passenger fares is limited by both regulation and competition. The safety and reliability of XPT operations are also closely monitored by both official and community bodies.

The XPT rolling stock is capable of reliable and safe operation at 160 km/hr on track that is suitably aligned and maintained, such as between Wagga and Albury in NSW. The maximum allowable speed on the ARTC infrastructure in Victoria is 130 km/hr, due to its configuration, and SRA's Sydney-Melbourne timetables are structured to take advantage of the line speeds and the trains' capabilities. It is noted that, despite the speed capability of the rolling stock, investment in roads between Sydney and Melbourne allows a road coach to make the journey in less time than the train.

When the previous loco-hauled trains (Southern Aurora and Spirit of Progress) were withdrawn, train rosters were implemented using new XPT cars bought by both NSW and Victoria at the time, to provide the number and quality of services required with a high level of rolling stock utilisation. The XPT fleet is not captive to any particular route, and services are also run to Brisbane, Murwillumbah, Grafton and Dubbo on a rotating roster which includes servicing periods at the XPT Maintenance Centre at Sydenham in Sydney.

To achieve the level of service required from the available fleet of rolling stock, the XPT train rosters are of necessity tight, with limited turn-around time and tolerance to delays en-route. Inability to maintain timetable could result in the requirement to purchase additional rolling stock, or curtailment of services. Unreliable services also have a predictable adverse impact on patronage and public perception.

### **Infrastructure Impacts**

The recent experience of SRA in NSW and to a lesser extent in Victoria has been the significant failure of XPT services to maintain a satisfactory level of reliability. A major influence has been the deterioration in the performance of rail infrastructure, resulting in extensive speed restrictions imposed for safety reasons. Such speed restrictions combined with even minimal service delays due to other reasons can result in the train being unable to maintain its timetable. By the nature of rail operations on single track, once a train is delayed, i.e. off its scheduled train path, it usually loses more time due to conflicts with other services. In addition, a train that is late into a train control area is generally not accorded as high a priority for available train paths as is an on-time train. As a consequence, unless a specific effort is made on behalf of the late train, it will generally lose more time rather than recover time. Such a loss of time between Sydney and Melbourne can affect the timeliness of subsequent runs to Brisbane and elsewhere because of the limited turnaround times in the rosters.

XPT services are more sensitive to infrastructure speed restrictions than other services which run at lower speeds. For example the delay to an XPT forced to slow down from 130 km/hr to 60 is far greater than that suffered by an 80 km/hr freight train through the same restricted section. In the Victorian standard gauge ARTC territory, SRA's XPTs represent a small customer for ARTC, but have operations requirements of speed and timeliness sensitivity that are at the top end of the scale of customer requirements.

Compared with freight trains, XPT services also tend to have long booking times (reservations 6 months ahead are common during tourist seasons), and significant customer impacts if reservation commitments cannot be met for external reasons. In many cases Countrylink customer arrangements are also time sensitive on the day, involving connections with other train services,

other tourist activities or airlines. It is in this environment of sensitivity to infrastructure failures that SRA makes the following comments in relation to the ARTC Access Undertaking.

### **Infrastructure integrity and longevity**

The Access Undertaking makes no reference to any obligations on ARTC to ensure the integrity or longevity of the infrastructure, or to manage the network so that it remains fit for the purposes for which ARTC's customers require access.

Infrastructure longevity and suitability has become a significant issue in NSW in recent times. Infrastructure performance in the rail industry is characterised by:

- the long lead times (several years) involved in:
- implementing changes (involving infrastructure or organisational planning, approval processes, non-commercial government funding, tendering and project establishment, and access to operating infrastructure for physical work);
- detecting consequential changes in performance (involving the monitoring of gradual deterioration of infrastructure quality or reliability, frequently demonstrated by increasing difficulty on the part of the operator to maintain reliability of operation due to speed restrictions etc);
- developing, planning, funding and implementing remedial infrastructure works to recover lost condition, while still maintaining required levels of maintenance on other infrastructure elements.

SRA is concerned that the quality of track could deteriorate under ARTC, which could jeopardise the quality of our XPT service. This is especially the case, given that:

- ARTC comprises a relatively small management group relying on contractors to deliver maintenance works;
- ARTC is operating in an economic environment in which charges are influenced by factors outside the control of ARTC, including road freight transport modes;
- ARTC is establishing its position a relatively short time after the disaggregation of Victoria's rail infrastructure into commercial units, which in the Victorian case are privately owned; and
- the infrastructure between Albury and Melbourne is understood to be in less than optimum condition, and therefore may already be in need of condition recovery.

SRA understands that ARTC considers itself to be accountable to its access customers through its Access Agreements for the maintenance of its infrastructure. However the capability of any single access customer to influence ARTC through this means is likely to be limited, and SRA as a limited user of one corridor would not see itself as well placed in that regard. Further, unless ARTC is required to make public its longer term strategies and plans for its infrastructure, it is potentially easy for longevity issues to be given less consideration than shorter term performance aspects.

SRA considers that ARTC needs to be made clearly and transparently accountable to the public as well as its customers to demonstrate in a proactive manner that its infrastructure maintenance policies will ensure the longevity and on-going fitness for purpose of the infrastructure. To this end, SRA considers that ARTC should include an undertaking to regularly report to its customers, as to the manner in which it is:

- restoring and then maintaining the infrastructure to at least current standards (design standards rather than actual condition);

- ensuring that the infrastructure continues to support services and timetable operations to suit operators' business requirements;
- ensuring that the ARTC network will continue to be available to at least that standard in the long term;
- using reasonable endeavours to progressively implement improvements in rail infrastructure and rail maintenance technology;
- using reasonable endeavours to progressively achieve infrastructure maintenance efficiencies, but without adversely affecting infrastructure performance or longevity;
- sharing the cost benefits of efficiencies and technology with its customers.

In our view, both the Access Undertaking and the Access Agreement should include a section dealing with ARTC's obligations in this regard, together with similar references in Schedule 3 (Essential Elements of Access Agreement).

#### **Management Priorities**

In a related context, we note that Capacity is defined in terms of train paths that remain available for customers' use after maintenance works and work trains are accommodated. This could be taken to imply that ARTC's management of the network is engineering-driven rather than customer focussed, which may in turn reinforce a culture which inhibits the achievement of efficiencies and access cost reductions.

## **Passenger Priority**

SRA is concerned that ARTC appears to be focussed on freight services, to the possible detriment of passenger services. This is inferred by:

- the only reference to categories of train in the document being to an ARTC “standard” train which has the characteristics of an interstate freight train (para 4.6);
- ARTC’s policy to resolve conflicting demands for train paths in favour of the operator representing the highest value of returns to ARTC (Para 3.9(d)). Given the nature of the passenger transport market in Australia, this is unlikely to ever be the operator of public service long-distance passenger services.

Given that passenger traffic is generally much more time sensitive than freight traffic and significant customer impacts may result if reservation commitments cannot be met for external reasons, SRA strongly recommends that ARTC should include a similar provision to that which exists under the NSW Transport Administration Act and Rail Access Regime, namely that ARTC undertakes to provide and maintain reasonable priority for passenger services.

## **Existing customers**

In relation to the allocation of capacity, we would suggest that ARTC should clarify its treatment of the access entitlements of existing and long-term customers versus new entrants.

## **Indicative Access Charge**

We note that the Undertaking sets out an Indicative Access Charge (Section 4.6) for only one class of train, which is significantly different from Countrylink XPT passenger services. We are aware that ARTC has previously published a schedule of prices for different categories of train, and suggest that ARTC’s Access Undertaking should include an explanation of pricing treatment for trains that differ from its “standard” specification.

## **Disputes**

In relation to Disputes (Section 3.11), we believe that the ARTC Undertaking should include a provision that, in the event of a dispute over any issue other than safety, the operator’s train paths will continue to be available during the process of resolving the dispute.

## **Assets funded by Operators**

SRA has in the past invested significant amounts in capital equipment and refurbishment programs to ensure that Victorian facilities supported its operations (although not in relation to ARTC infrastructure). We suggest that the ARTC undertaking should disclose how ARTC proposes to treat the use by other parties of infrastructure funded by a particular operator.