

**AUSTRAK MANAGEMENT & CONSULTING PTY LTD
(Austrak)**

**Submission to the ACCC
regarding the draft ARTC Access Undertaking
submitted on 20 December 2007**

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Who are we and why are we interested in the ARTC Undertaking?

Austrak is the only specialist developer in Australia of the modern model of the full service common user / open access terminal.

It developed the Somerton Intermodal Facility in Victoria (owned 50% with General Property Trust) and, together with the existing MIST facility, is developing the Greater Minto Terminal precinct in NSW. These two developments when completed will represent over \$1 Billion dollars of private sector investment in rail infrastructure.

Austrak does not have any interest in rail operations or freight.

We are interested in the ARTC Undertaking because developments like ours rely on Australian Governments and Regulators ensuring that the institutional and regulatory framework for rail networks promote investment in rail infrastructure – not just tracks but importantly common user / open access terminal infrastructure which is necessary for effective above rail competition.

The Somerton Development

The Somerton development is a common user / open access intermodal business park located on approximately 320 acres north of Melbourne on the Hume Highway with connection to the ARTC standard gauge network and the Victorian broad gauge network via the Somerton Sidings administered by V/Line.

Over \$100 million has been invested in this development so far and total investment is expected to exceed \$500 million.

The facility, when fully developed, will be capable of handling 600,000 TEUs of rail freight per annum.

The Greater Minto Terminal (GMT) Development

The GMT development encompasses a 2km precinct of industrial land at Minto south west of Sydney including the current open access MIST facility established in 2001 (which presently handles around 35,000 TEUs of rail freight per annum) and the Austrak site of approximately 200 acres.

Over \$100M has been spent to date on the current MIST facilities and, with the proposed Austrak facilities, the common user / open access GMT precinct will represent over \$500M of private sector investment. The expected capacity of the GMT precinct will be around 400,000 TEUs of rail freight per annum.

The existing MIST facilities are directly connected to the main Southern Line which is part of the RailCorp metropolitan network. The current MIST port shuttle rail service has RailCorp train paths to / from Port Botany on the main Southern Line.

The business model for common user / open access terminals

A commercial common user / open access terminal needs to be viable **as a terminal** ie focusing on its revenue from handling throughput of freight due to its strategic location and business model bringing freight to rail.

The terminal achieves economies of scale and on-going viability by locating within a cluster of distribution centres for major businesses who can achieve efficiencies and cost savings by bringing freight directly to / from rail.

For this to work, the terminal needs to be connected to a network of other common user / open access terminals and port facilities (more terminals = more

network efficiencies) and it needs on-going complementary investment in track capacity and rolling stock.

The interface between terminals and track networks

Modern intermodal terminals are highly capital intensive. To achieve the rail freight volumes necessary to underpin investment and 'hubbing' efficiencies, it is necessary to service interstate, regional export / import general freight and commodities and metropolitan port shuttle freight.

This means that the regulatory framework for rail track networks must:

- Enable rail operators to line up co-ordinated pathways through adjoining networks.

This is especially important for regional export / import services – for example regional export / import service in NSW may need to line up co-ordinated pathways on the ARTC NSW network and the RailCorp metropolitan network to get to Port Botany.

- Enable rail operators to line up co-ordinated pathways and terminal slots or 'windows'.

Historically terminals that were rail operator owned did not allocate terminal windows but simply accommodated their network train paths and often left their trains parked in the terminal (one of the reasons for terminal inefficiency) – the network operator did not need to interface with the terminal. An efficient common user / open access terminal has to co-ordinate windows for multiple rail operators with train paths and to get trains in and out as quickly as possible. This cannot be done without a high level of co-ordination with the network operator.

- Facilitate a mixture of uses on the network.

For example, efficient interstate trains are typically 1.5 or 1.8Km long but the optimum length for an efficient port shuttle is around 600m. One-size-fits-all tariff structures may appear to be non-discriminatory in terms of user but can often operate to disadvantage a particular type of use¹.

- Provide certainty for new terminal connections to the network.

This is both in relation to physical connection and also in relation to the capacity of the network to serve the freight within the terminal's catchment zone (how many paths will the network 'allocate' to the terminal). It needs to be recognised that, in addition to the investment in building the terminal, there is significant flow on private sector investment at the railhead from businesses seeking to shift their freight onto rail (eg distribution centres).

- Enable terminals to contract for train paths.

Port shuttles are becoming critical to deal with congestion in capital cities. Emerging thinking is that the most efficient model would be for either the port or the inland terminals to own long term port shuttle train paths that align with efficient port operations. The port or inland terminal can then appoint different rail operators from time to time to utilise those paths.

There are currently no regular metropolitan port shuttles services operating on the ARTC network. However, this is likely to change in the near future.

In Melbourne, Austrak is currently working closely with the Victorian Government to establish a regular shuttle service between Somerton and the Port of Melbourne which is expected to run on the ARTC network.

¹ For example, it was recognised by the Competition Tribunal that using a per-passenger basis as the basis for Sydney Airport's charges (as opposed to charges based on an aircraft's maximum take-off weight) adversely affected low cost carriers as against full service airlines.

In Sydney, is expectation of the Federal and NSW Governments that all port shuttle services on the main Southern Line will transfer to the ARTC Southern Sydney Freight Line (SSFL) to free up capacity for more passenger services on the RailCorp metropolitan network. This will necessitate new connections to the SSFL and a high level of co-ordination between the terminals, ARTC and RailCorp.

Concluding comments

The draft Undertaking is for 10 years. The issues we have raised above go to the heart of what Governments, business and the community will expect from rail over that time.

Getting the right regulatory framework for how ARTC interacts with intermodal terminals is critical.

We believe this is an area that has had insufficient consideration to date and further consultation by the ACCC with a wider group of stakeholders is required.