I am here today to speak to you about the importance of the private sector’s involvement in rail. In Australia, private ownership of rail is seen as a relatively new phenomenon. In fact, it has a long history, particularly in Victoria.

HISTORY

- In 1854, Australia’s first modern railway from Flinders Street to Port Melbourne was operated by the Melbourne & Hobsons Bay Railway Company.
- Later that decade, more privately operated railways were built in Melbourne, connecting Melbourne to the new suburbs of Brighton, Essendon and Hawthorn and from Melbourne to the new city of Geelong.
- From the 1880s on, most of Melbourne’s tram system was privately built and run.

But it wasn’t just passenger trains in Victoria. A whole array of small-scale railways hauling timber and sugar were privately built and operated across Australia, but the great standout private operators were the Silverton Tramway and the Midland Railway, both providing a private-sector transport solution to address a political problem.

- The Silverton Tramway provided a politically convenient shortline railway joining the rich silver, lead and zinc deposits of Broken Hill in NSW and the smelters of Port Pirie. For almost a century, the Silverton helped solve the problem of government railways crossing state borders.
- The Midland Railway in WA was a land grant railway that helped the government of Western Australia more closely settle and develop agricultural land in the state’s mid-north using private, rather than public money.

The iron ore railways of the Pilbara also stand as a superb example of the private sector’s involvement in rail.

- Over almost half a century and largely out of the public’s consciousness, the miners of the Pilbara have assembled a heavy haul railway that is globally second to none.
- The largest flow of iron ore freight traffic is in the Pilbara where more than 94% of Australia’s iron ore is moved.
- Between the three big miners in the Pilbara, over 500 million tonnes of iron ore moves from mine to port annually.
- These private operators run some of the longest, heaviest and most technically advanced rollingstock in the world.
MORE RECENT EXAMPLES

Let’s move forward to more recent times, where the private sector has filled some important niches across the spectrum of the Australasian rail industry.

Cast your mind back to the 1990s when the first wave of microeconomic reform was well underway, with a range of paths being followed to reform the chronically underperforming rail industry in both public and private sectors.

- The formation of the publically-owned National Rail Corporation in 1992 undoubtedly preserved a future for long-distance freight on rail by concentrating on intermodal and bulk commodities;
- SCT, one of rail’s great success stories identified a gap in the market for wagonload traffic, building its rail business from hired locomotives and hand-me-down wagons into a fleet of dedicated locomotives, rollingstock and logistics infrastructure. The train now runs several times a week and is a factor in rail’s dominant mode share on the Melbourne – Perth corridor.

The 1990s also saw the start of privatising publically-owned rail operations, either through long-term leases or outright sale.

- In 1997, the Federal Government’s privatised the Australian National Railways business and used its interstate track assets to form the Australian Rail Track Corporation (ARTC).
- In Victoria, the state government started the experiment of franchising out urban and regional rail services, with the first metropolitan franchises contracted in 1999. The state also sold the publically owned rail freight business that year.
- The sale of above-rail freight assets in Western Australia and the long-term lease of below rail assets took place in 2000.
- The sale of National Rail and the NSW freight operator Freightcorp to the Pacific National consortium in 2002.
- The sale of the QR freight business by the Queensland government in 2010 to become Aurizon.

SHARING GLOBAL SKILLS AND KNOWLEDGE

The railway has always been an international industry, transferring people and technology around the world. Let us not forget the contribution made by the professional skills and knowledge of railway people and the companies that employ them who have come from around the world to Australia.

Let us also remember those Australian railway people whose expertise is being shared around the world among a range of railway operators, contractors and consultancies.
The private sector makes other important contributions to the Australian rail industry, particularly through the infusion of overseas capital and expertise.

The expertise comes across a range of fields from a variety of sources, including:

- The United States, through freight rail operators like Genesee and Wyoming, or locomotive and rollingstock hire companies like CFCLA;
- European-based transport operators like French companies Keolis and Transdev who find Australian light rail systems a natural fit with their existing businesses;
- Asian rail operators like MTR who run Melbourne's suburban train system and will also operate Sydney's north-west rail link from 2019, and;
- The broad range of global rollingstock manufacturers, such as Downer, CAF and UGL, who are finding a place for their products in the Australian railway marketplace.
- Not to mention the range of consultancies and contractors, such as Laing O'Rourke and McConnell Dowell, that provide specialised skills to the Australian rail industry.

**PPPs**

I'd also like to briefly look at the important role the private sector can play and has played in funding the rail infrastructure we need in Australia and what opportunities lie ahead.

PPPs: Public-Private Partnerships, Private Financing Initiatives, P3s – call them whatever you like, but they have funded a great deal of transport and social infrastructure over the past few decades.

Conventional wisdom suggests that rail is not normally considered a class of infrastructure suitable for PPPs in Australia.

- Indeed Australian rail has had a limited, but chequered history with PPPs, with three important projects in the 2000s dominating discussion on the subject, namely:
  - the Airport Railways in Sydney and Brisbane and
  - the Alice Springs – Darwin Railway.
- After some ups and downs and financial problems, these three rail PPPs have found their feet and the industry and the broader Australian economy would be the poorer without them.
- The most recent and probably most exciting PPP on the rail horizon at the moment is the Cranbourne-Pakenham Rail Corridor project that aims to provide for Melbourne's busiest rail lines, as well as new or upgraded:
  - tracks,
  - rollingstock
  - electrical power supply
WHAT WE WANT FROM GOVERNMENT

In Australia, many governments tend to forget that PPPs are a means to an end: that is to fund the infrastructure that provides real efficiency gains to the economy.

- Sadly, all too many Treasuries still view PPPs projects as a way to either:
  - move infrastructure spending ‘off-budget’ or
  - develop ‘bankable’ projects (but not necessarily the best projects) to tap private capital markets.
- To pursue a PPP model of infrastructure delivery for these reasons is probably the least effective way to use them.
- At a time when interest rates are at historic lows, particularly for public sector borrowing, Governments should be concentrating on:
  - Improving the bureaucracy’s project selection and evaluation skills in order to
  - More effectively use PPPs to build the infrastructure that maximises productivity and benefits the national economy.

The ARA believes that there are a number of potential rail infrastructure PPPs that meet the goal of maximising productivity to benefit the Australian economy. These include:

- Building a 21st Century Inland Railway between Melbourne and Brisbane;
- Providing dedicated rail freight access to Australia’s major container ports;
- Fast, efficient rail links within CBDs and with connections to international airports.

PRIVATE SECTOR CO-FUNDING

However, PPPs are not the full extent of private sector involvement in rail. The ARA also believes there is a role for increased co-funding by private sector beneficiaries of rail infrastructure upgrades to match public sector investment in rail.

We believe there are a range of opportunities in both passenger and freight rail infrastructure where private sector ‘co-funding’ can deliver the kind of rail system Australia needs to meet the challenges of the 21st Century. These could include:

Providing better rail access to high productivity agricultural areas in inland Australia and maximising improvements to the grain supply chain by:
• Public sector upgrades to track that raises train speeds and axle loads are matched by
  o Upgrades to receival and loading sites by grain handlers along with new, high capacity rolling stock.
• Using rail infrastructure and services as ‘equity’ in TOD joint ventures with the property development industry
  would allow rail operators to capture the benefits of development and land value uplift through rents and other
  revenue.

Last but not least, the private sector can work with the public sector to leverage their technical knowledge and skills to
provide innovative solutions for rail infrastructure construction and more efficiently use public money to deliver projects
ahead of schedule and under budget.

CONCLUSION

Australia has a long and proven history of public and private partnerships that not only work and work well, but have
created the foundations that our current national rail infrastructure has built on and will continue to build on into the
future. It is important that we continue to look for opportunities to partner where possible in order to ensure a strong
and prosperous future for rail in this country.

Thank you for your attention this morning, I’ll take questions if you have them.