

## **Question on Notice**

**No. 121**

**Asked on 08 February 2007**

MR KNUTH asked the Minister for Transport and Main Roads (MR LUCAS)—

### **QUESTION:**

With reference to increased rail freight charges of up to 100 per cent in rural and regional areas which has continued to place a huge financial burden on small businesses, customers and property owners in those areas—

- (1) Will he undertake a review of freight charges for rural and regional areas?
- (2) Will he outline Queensland Rail's community service obligation to rural businesses which should ensure those businesses are not jeopardised by excessive charges?
- (3) What subsidy rate do rural freight services attract compared to the subsidy rate for all urban and rural passenger networks?
- (4) Will he guarantee rural and regional Queenslanders that the excessive hike in rail freight is not a deliberate strategy to close rural small freight services?

### **ANSWER:**

I thank the Honourable Member for his question.

- (1) QRNational (QRN) operates in a highly competitive market for the provision of transport services along with other rail operators and other transport modes.

As I explained in my reply to Question on Notice 1018, asked on 10 June 2005 by the Honourable Member, "The reality is that QR operates in a "real world" competitive environment. This competition comes from other rail competitors and from the direct competition of road transport. This presents challenges that, if left unaddressed would adversely impact on the ongoing viability of QR and consequently the well being of regional towns".

The Queensland Government recognises that each transport mode has relative advantages for certain freight tasks and supports the movement of freight by the most sustainable means.

While QRN seeks to be competitive in as many markets as possible, it is a commercial entity that is expected to recover its costs.

Consistent with normal commercial practice, QR has instituted regular reviews of its pricing to ensure the sustainability of the business.

I am advised that QRN has recently initiated an overhaul of its retail freight rates structure, aimed at achieving cost recovery from the various elements of its general freight business. A new and revised rate schedule for its retail freight business was introduced effective from 9 October 2006.

To have freight rates that do not reflect the cost of providing them involves risks in non-compliance under the Trade Practices Act. QR's freight rates will be regularly reviewed and adjusted to ensure that they are commercial, so that QR can provide a long term sustainable freight operation.

(2) Decisions regarding both the ongoing maintenance of operational rail lines and the level of freight train services are managed by Queensland Transport (QT), which purchases a range of rail services to regional areas from QR.

QT and QR formalise these arrangements utilising Transport Services Contracts (TSC), which fund both specified rail services and ongoing track maintenance. Current QR receipts from Government for transport services total in excess of \$738m per annum.

QR does not have specific Community Service Obligations to provide support specifically for rural businesses. All rail users and all Queenslanders are the beneficiaries of the TSCs.

As I said in my reply to Question on Notice 1018, asked on 10 June 2005 by the Honourable Member, "QR and the Government are committed to the ongoing provision of services to rural and isolated communities".

(3) TSCs are used to enable the continuation of services to the community which otherwise would not be commercial to undertake. They support the whole community and support the sustainability of services to urban regional and rural areas.

Relevant TSC payments in 2005-06 were:

- The TSC for below rail services across the non-commercial rail network (\$273.67m).
- Urban passenger rail TSC (\$285.93m).
- Long distance TSC (\$111.11m).
- Regional freight TSC (\$ 22.21m).

The average subsidy per passenger on the urban rail network in 2005-06 was \$5.41. This compares to the average subsidy per passenger on the regional Traveltrain network of \$254.42 which has subsidies on long distance individual services of up to \$895.31 per passenger. Rail freight is not subsidised other than on a per train basis under the Regional Freight TSC.

(4) Traditionally QR offered a full range of haulage services. However, small and non-palletised loading is a low value and high cost part of the QR business.

QR's core capabilities for general freight rail services are containerised, palletised and large non-bulk services. Road transport prices for some low volume small and non-palletised freight may become more attractive to some consumers.

The TSC for the provision of below line rail services was recently renegotiated for a further seven years, the Traveltrain TSC was recently renegotiated for a further three years, and the Regional Freight TSC is currently being renegotiated up to June 2007, with work on a further five year contract having commenced.

A sustainable freight operation is necessary to ensure the commercial viability of QR. The recent review of QR's retail freight structure is about commercial sustainability of this business and as a consequence continuity of the services.

Rail freight services exist to haul cargo and I urge Queenslanders to take advantage of the rail services provided. This will ensure the provision of rail services to rural and regional Queensland over the long term.