

*Tourism and Transport Forum (TTF) is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.*

## Tourism & Transport Forum

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### Submission to the Victorian Select Committee on Train Services

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#### Contact

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## INTRODUCTION

Tourism & Transport Forum (TTF) is the peak industry group for the Australian tourism, transport, aviation and investment sectors. A national, member-funded CEO forum, TTF advocates the public policy interests of the 200 most prestigious corporations and institutions in these sectors.

TTF's membership comprises the most significant players within the aviation, transport and tourism sectors. It includes representatives from:

### **Accommodation & Gaming**

- Resorts & Hotel Chains
- Owners & Investors
- Timeshare
- Serviced Apartments
- Casinos

### **Tourism Infrastructure**

- Precinct Managers
- Institutional Investors
- Infrastructure Owners
- Ports
- Airports

### **Transport & Aviation**

- Airlines
- Rental Cars
- Buses and Coaches
- Passenger Rail
- Cruise Lines

### **Marketing & Attractions**

- Theme Parks
- Cultural Attractions
- National & Marine Parks
- Tourism Marketing Organisations

### **Major Events, Retail & Hospitality**

- Convention & Exhibition Centres
- Restaurants & Wineries
- Travel & Tourism Retailers
- Venues

### **Professional Services**

- Legal & Accounting
- Advertising & Public Relations
- Research & Education
- Technology & Solutions

TTF welcomes the opportunity to contribute to the *Legislative Council Select Committee on Train Services*. Train services in Melbourne are an integral part of the transport landscape of Victoria.

The series of cancellations and delays throughout the January and February 2009 period were unfortunate and disruptive. They showed serious flaws in not only rail infrastructure but in the entire Melbourne transport network. However, TTF contends that this disruption was the result of extraordinary circumstances, primarily a once in a century heatwave, which only could have been minimised with long term investment in the network over a period of decades.

The events showed that large rail infrastructure projects are required as a matter of high priority to ensure Melbourne remains mobile. To this end, the recently announced \$38 billion *Victorian Transport Plan* provides the long term commitment needed by the State Government for an efficient transport network. TTF believes that with increasing pressure on state finances it is important that the Government remains committed to acquire the necessary funding from the Federal Government and/or the private sector to ensure critical transport infrastructure projects are delivered, particularly on the rail network.

## 1. BACKGROUND

### 1.1 The Melbourne Passenger Train network

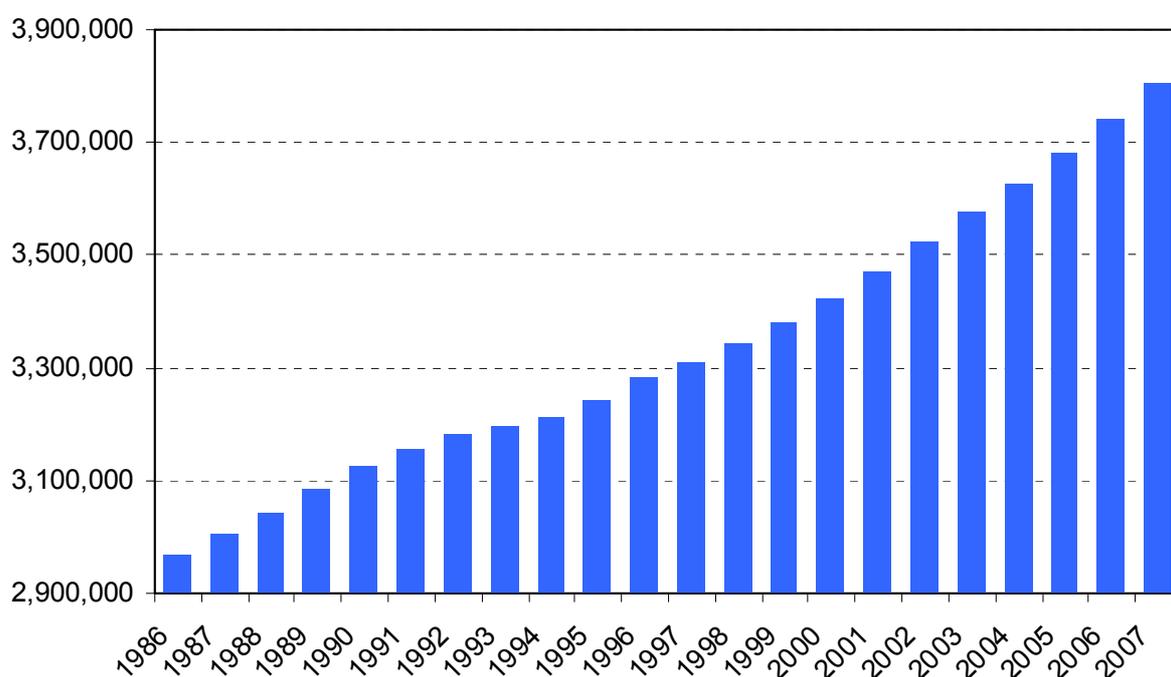
The Melbourne rail network was created in the nineteenth century, with passenger services in operation for more than 100 years. The network consists of 430 kilometres of rail lines, 213 stations and 12,644 weekly suburban passenger rail services operating on 15 lines, carrying approximately 214 million passengers each year,<sup>1</sup> with an additional 15 million on V/Line services.

The network is focused on moving large numbers of commuters into and out of central Melbourne - all 15 lines converge in the city. In the morning peak period, approximately two thirds of travel from suburban stations has a final destination at a City Loop or Inner Core station. For the remainder of the day this falls to approximately fifty per cent.

### 1.2 Melbourne Population Growth

The Melbourne population has been growing steadily over the past 25 years. Last year Melbourne's population growth outpaced all other major Australian cities, reaching 3.9 million.<sup>2</sup> Melbourne's transport network will be critical to ensuring the economic and social viability of the city. Significant growth has occurred in Melbourne's outer ring suburbs, which have been categorised by limited access to transport infrastructure.

**Melbourne Population**



In the next 25-30 years, there will be an additional 1.7 million people in Melbourne, which will translate to an extra 6.6 million car trips and one million extra public transport trips every day.<sup>3</sup>

<sup>1</sup> Connex website, <http://www.connexmelbourne.com.au/index.php?id=46>, sighted 21 May 2009.

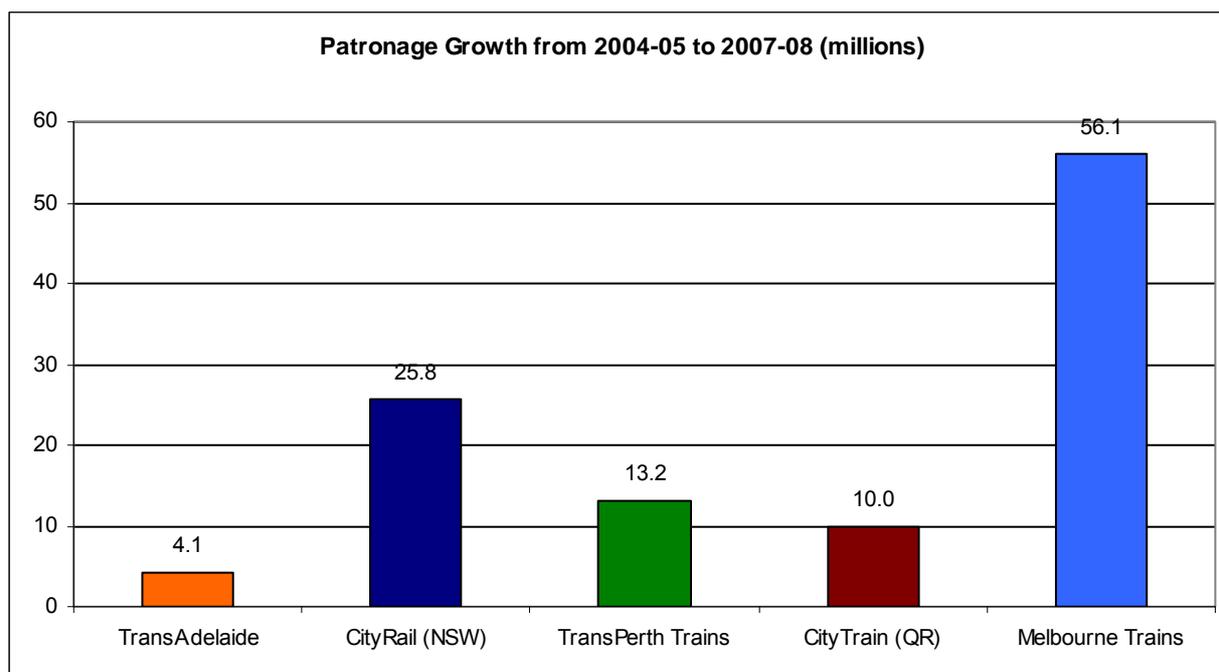
<sup>2</sup> Australian Bureau of Statistics, *Australian Demographic Statistics*, September 2008.

<sup>3</sup> The Victorian Transport Plan, p87.

### 1.3 Train Patronage Growth

Patronage growth on Melbourne's rail network has been extremely strong in recent years. Since 1999, when rail operations were franchised, patronage has grown by 79 per cent, of which 46 per cent has occurred over the past three and a half years alone<sup>4</sup> – a sharp contrast to the 1 or 2 per cent growth rates seen over the previous two decades.

This growth has also exceeded that experienced by other major metropolitan transit systems. The graph below shows train patronage growth over the past three financial years for Sydney, Adelaide, Perth, Brisbane, and Melbourne.



There are no signs of this growth slowing. Increasing urban population growth, rising traffic congestion, higher fuel prices, and increased concern about transport-related greenhouse gas emissions have all contributed to the recent patronage growth.

In 2007, patronage growth translated to an additional 160,000 people travelling each day on Melbourne's trains compared with 2002 - representing the equivalent of an extra 200 trainloads.

In May 2007, Transport Minister Lynne Kosky admitted that the Victorian Government had significantly underestimated projected patronage use in its \$10.5 billion 10-year *Meeting Our Transport Challenges* plan announced in May 2006.<sup>5</sup>

The Government's *Victorian Transport Plan*, released at the end of last year, predicts patronage on trains will continue to grow strongly over the next 25-30 years. Over the next three years it is expected that patronage will increase to approximately 300 million trips per annum.<sup>6</sup> From its current base of 213.6 million,<sup>7</sup> this represents an additional increase of 40 per cent.

<sup>4</sup> Veolia, Submission to the Senate Rural and Regional Affairs and Transport Committee Inquiry into the Investment of Commonwealth and State funds in public passenger transport infrastructure and services, 2009 p4.

<sup>5</sup> Dowling, Jason, *Gridlock choking life out of city*, The Age, 27 May 2007.

<sup>6</sup> The Victorian Transport Plan, December 2008, p62.

<sup>7</sup> The Hon. Lynne Kosky MP, *Metropolitan Bus Patronage Highest in 40 years*, Media Release, 4 June 2009.

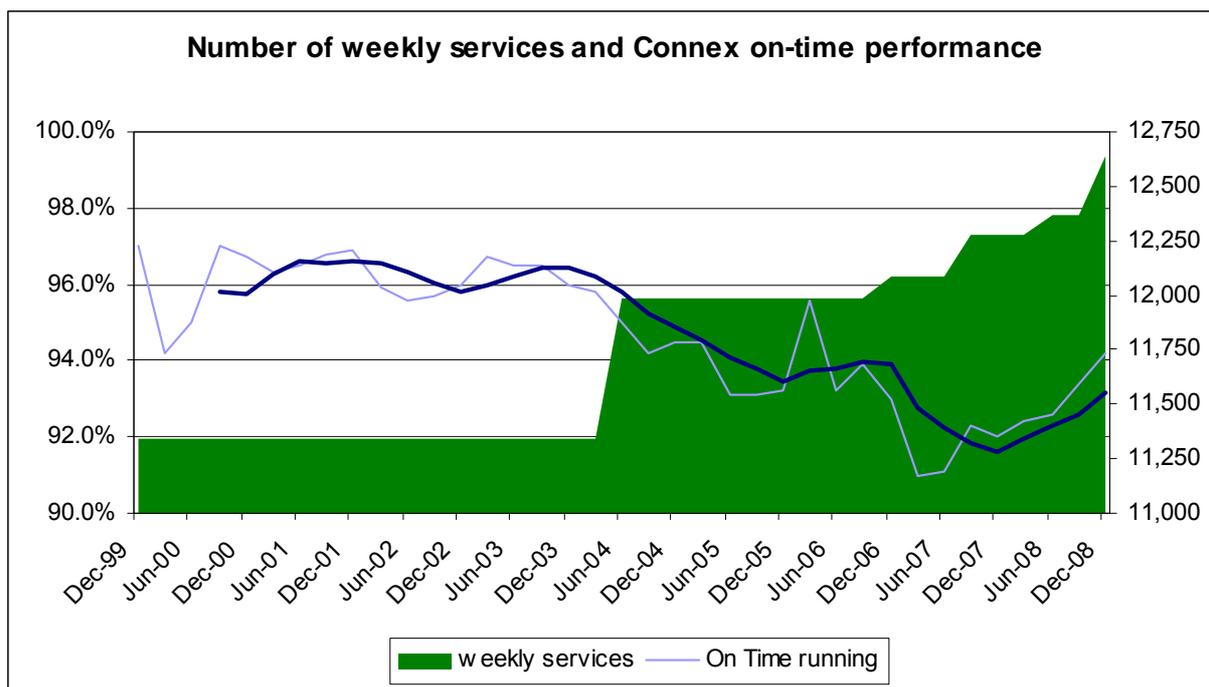
## 1.4 Extra Train Services

To cater for the rapidly increasing patronage, 1,563 new weekly train services have come on line in the past 10 years, including an extra 290 new and extended services in July 2009. While additional train services are welcome, this number has been inadequate to meet demand. 1,563 additional weekly services translates to an increase of just over ten per cent,<sup>8</sup> whereas patronage has grown by 79 per cent over the same period.

The decline in overall service operation levels is inextricably linked to the inability of existing rail infrastructure to cope with the demand for additional services. Regional and metro services currently compete for the same track infrastructure from Melbourne outer ring suburbs to Southern Cross station. The Pakenham line particularly has an extended shared section, with the Werribee, Sydenham and Craigieburn lines also catering for both types of services.

With limited investment in new infrastructure, new services have pushed the system to capacity, leading to increasing track congestion, and a decline in the overall performance of the network.

The graph below shows the number of weekly metropolitan services measured against on time running performance.<sup>9</sup> It shows a direct relationship between the number of services on the network and the reliability of those services. Clearly, the more services that have been introduced to the Melbourne rail system the harder it has been to ensure the reliability of all services.



<sup>8</sup> Connex, *Next round of new metropolitan train services*, 29 May 2009 sighted at <http://www.connexmelbourne.com.au/news.php?newsid=603>.

<sup>9</sup> Ibid and information supplied from Connex.

## 2. KEY ISSUES IMPACTING PERFORMANCE

### 2.1 Capacity Constraints

In 2008 the East West Link Needs Assessment report identified capacity constraints as a key inhibitor of an improved Melbourne train system, specifically highlighting the following problems:

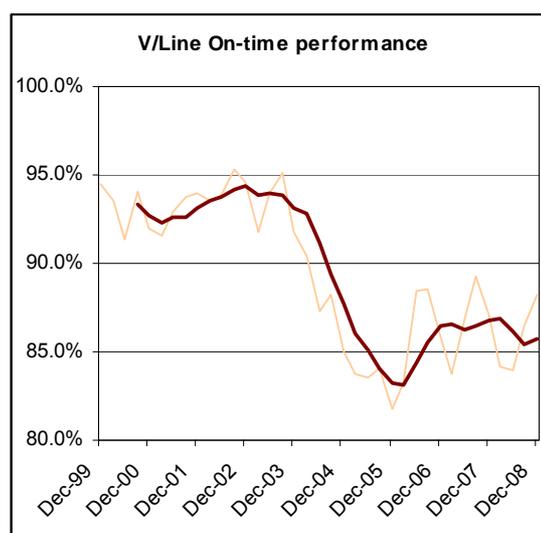
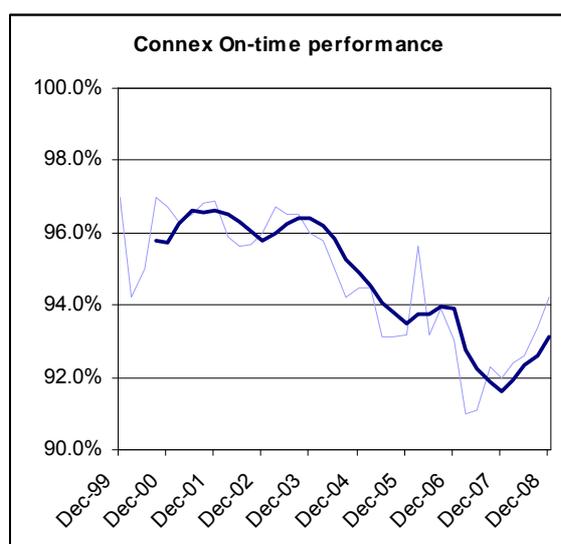
- The geographic reach of the network*
- The existence of single track;*
- Train pathways and stopping patterns;*
- The track configuration at junctions and terminal stations; and*
- Other constraints including: signalling systems; power supply capability; train dwell times; and passenger access and egress.*<sup>10</sup>

Each of these problems significantly hinders the ability of the system to grow. The underlying issue causing these problems is the lack of long term investment to expand and upgrade the network. Significantly, the report notes the reach of the network has remained relatively constant since the 1940s:

*“With the exception of the Melbourne Underground Rail Loop, and extensions of the electrified network to Pakenham, Cranbourne, Sydenham and Craigieburn, there has been little change in the broad reach of the network.”*<sup>11</sup>

In the past 20-25 years, since the construction of the Melbourne city loop, the only major expansion of the network has been the extension of the Broadmeadows line in 2007. The lack of new pathways and significant upgrades of existing infrastructure has been insufficient to cater for the steady patronage growth over this period, with the problem intensifying due to delays in substantial investment. The recent unprecedented surge in peak period demand has brought the problem to the fore.

An analysis of service reliability over the past 10 years clearly shows the impact of this lack of new infrastructure. The graphs below show the on-time running performance of Connex and V/Line since 1999. Both show a decline in performance during 2004 - coinciding with the start of the recent patronage boom.<sup>12</sup>



<sup>10</sup> East West Link Needs Assessment, p79

<sup>11</sup> Ibid.

<sup>12</sup> Graphs developed using Track Record, Quarterly Performance Bulletin, 1999 – 2008.

However, the supply of new train services and rail infrastructure is just one side of the rail problem. The situation is complicated by the fact that overcrowding and other associated problems occur primarily during limited periods in the day. Despite all of the problems experienced on the network, the East West Link Needs Assessment report states that Melbourne's rail network currently has an overall daily capacity that exceeds demand.<sup>13</sup>

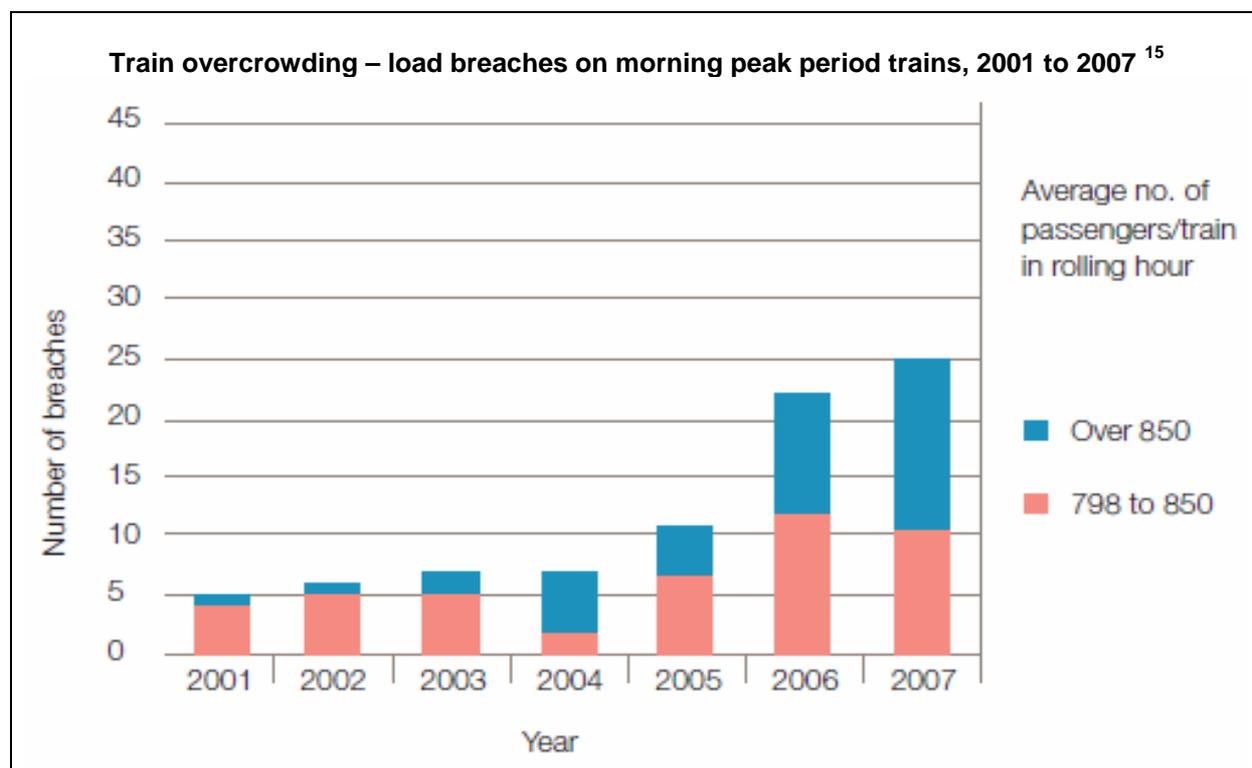
The demand for rail services is only exceeding capacity during the morning and evening peak periods. For the remainder of the day the system carries considerably fewer commuters.

## 2.2 Overcrowding

Overcrowding creates significant reliability and comfort issues for passengers, taking away valuable time from commuters, devaluing the quality of the service and placing a negative perception of trains and public transport in the minds of Melburnians.

A lack of long term investment in rolling stock and an inability to cater for the unprecedented patronage growth has led to serious overcrowding on the Melbourne train network. According to the East West Link Needs Assessment, since 2005, the number of trains travelling at capacity - defined as more than an average of 798 people on board - has increased.<sup>14</sup>

The graph below shows the number of trains over capacity in the morning peak period between 2001 and 2007. It indicates not only has there been a sharp increase in the number of trains over capacity, but that these trains are also more overcrowded.



<sup>13</sup> East West Link Needs Assessment, p68.

<sup>14</sup> Ibid, p78.

<sup>15</sup> Ibid.

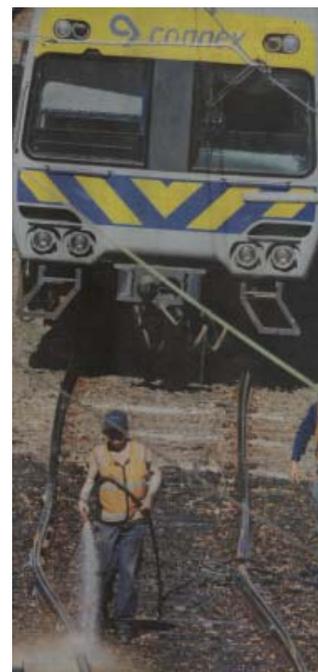
## 2.3 Other issues impacting performance

### *Weather and speed restrictions*

The unprecedented heat wave throughout January and February 2009 had a significant impact on the operators' ability to meet reliability targets. As temperatures consistently rose above 35°C, including three consecutive days over 43° (the hottest three day spell in over 150 years), the network literally buckled under the strain.

The picture to the right featured on the front page of The Age on January 29, 2009.<sup>16</sup> It is indicative of the extraordinary situation and the steps that were taken in an attempt to mitigate it. Unsurprisingly, the heat led to a general slowdown across the network as speed restrictions came into effect due to the risk of misaligned rail tracks.

There is no doubt that this measure was absolutely necessary under the circumstances. More to the point is the fact that the Melbourne rail infrastructure was, and continues to be, unable to cope with this type of extreme weather.



PICTURE: Joe Armao

Significantly, of the 2,379 cancellations in January 2009, 1,447 occurred in the three days reaching above 43°.

Although not entirely foolproof, the system would benefit greatly from fast-tracking the replacement of timber sleepers with concrete ones. This would improve ride comfort and enable the system to better cope with extreme weather.

### *Air-conditioning in trains*

Air-conditioning provides significant journey comfort to passengers and is important for ensuring a positive rail experience. Throughout the Melbourne heat wave of January and February 2009, a significant proportion of carriages and passenger journeys were impacted by the lack of air-conditioning. Four per cent of metropolitan rail carriages do not have air-conditioning and a further 56 per cent have air-conditioning systems that do not operate optimally beyond 35°C - resulting in cancellations and discomfort.

### *Vandalism*

Graffiti remains a critical issue influencing the perception of train services as well as reliability. In April 2009, 133 recorded incidents of vandalism affected 510 trains - one per cent of all scheduled services.<sup>17</sup> The Government has estimated it will cost \$30 million to rid Melbourne rail corridors of graffiti, and ongoing investment of \$6 million to ensure it remains in that condition.<sup>18</sup>

### *Ill passengers*

The care, comfort and safety of passengers should be paramount to the operation of transport services. Ensuring this duty of care is delivered sometimes necessarily involves foregoing service reliability. In April 2009, Connex reported 29 incidents involving ill passengers that impacted 869 trains.<sup>19</sup> Such incidences are an unavoidable part of the operation of a train system. However, individual commuters will not always appreciate the situation when their train is delayed or cancelled. It is important that both the Government

<sup>16</sup> Lucas, Clay and Dobbin, Marika *Tracks buckle and so does rail system*, The Age, 29 January 2009, p1.

<sup>17</sup> Connex, Performance results April 2009 p2.

<sup>18</sup> Ashley Gardiner, *Push to rid rail system of graffiti*, Herald Sun, 30 May 2009 sighted at <http://www.news.com.au/heraldsun/story/0,21985,25558614-2862,00.html>.

<sup>19</sup> Connex, Performance results April 2009 p2.

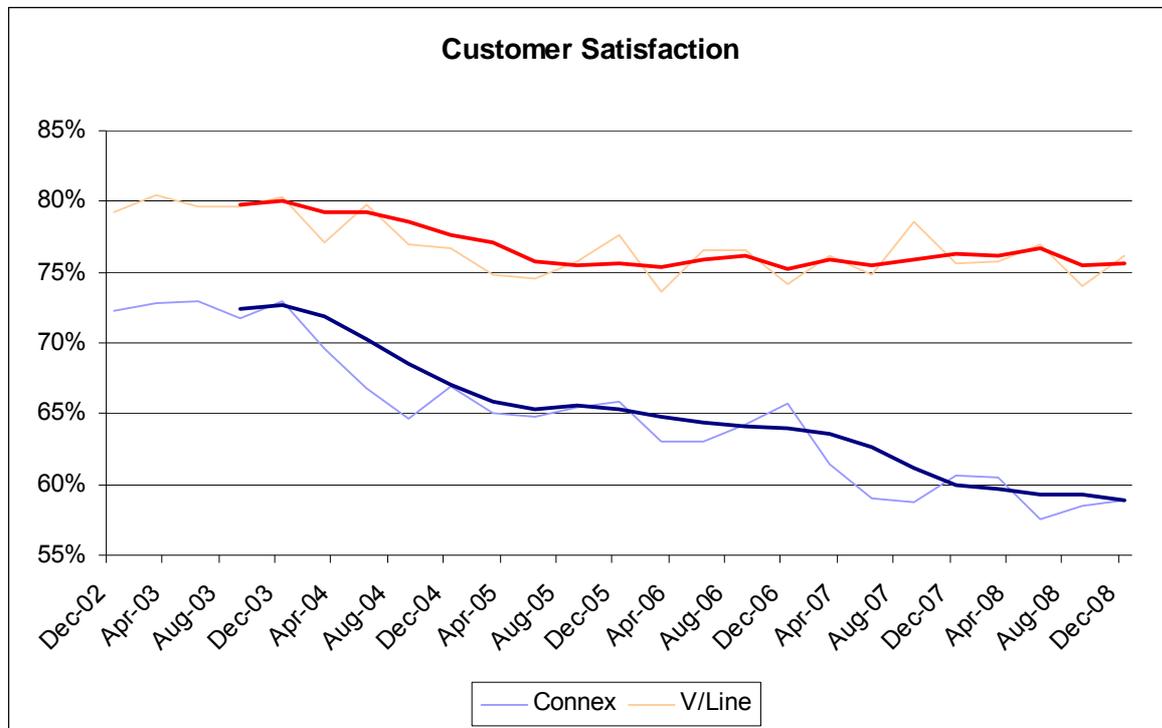
and operator manage the flow of information to commuters in order to minimise the impact of such disruption.

#### *Industrial Relations*

Throughout January and February 2009, Connex publicly expressed concern with an ongoing industrial relations matter that was adding to the existing problems with the system.<sup>20</sup> The matter was eventually resolved at the Australian Industrial Relations Commission. However, it is of note for this inquiry due to the impact it had on the performance levels of the operator.

### 3. CUSTOMER SERVICE PERFORMANCE

The impact of the lack of long term investment, growing patronage, overcrowding, and reliability issues has had a lasting effect on customer satisfaction with train services. The table below outlines the decline in customer satisfaction levels with both regional and metropolitan services over the past four years.<sup>21</sup>



A number of strategies have been employed by both operators in order to combat these issues. One initiative by Connex was the establishment of the \$10 million *We Hear You* program, whereby commuters provide feedback to the operator directly and a funding allocation allows Connex to respond accordingly. Thus far the program has translated into more CBD station staff, additional train cleaning, recycling projects, improved customer communications and refurbishment of the Flinders Street station toilets. In addition, in March this year Connex introduced a new carriage configuration trial to facilitate faster access and egress, improved hand railing, altered seating and better signage.

While important, such strategies can not address the underlying problems with infrastructure investment and upgrade. Only would significant investment actually translate to an overall improvement in the system and customer satisfaction.

<sup>20</sup> Connex, Performance results January 2009 p2.

<sup>21</sup> Graph developed using Track Record, Quarterly Performance Bulletin, 2002 – 2008.

## 4. THE FRANCHISE MODEL

Responding to the events of January and February 2009, some commentators have gone as far as to criticise the Victorian franchising model of rail services. Such arguments do not serve any productive purpose and fail to understand the nature of the model and the responsibility of the Government and the franchisee within this model.

The key benefit of the franchise model is the improved level of accountability. State owned transport agencies run the risk of conflict of interest issues when acting as both the operator and regulator of the network. Furthermore, for those state-owned agencies operating in monopoly environments, there is no competitive pressure, nor incentive provided to perform efficiently.

With pressure to provide high-quality services that meet the requirements of commuters, improving accountability and providing incentives for improvement has been a success of the Melbourne experience. An analysis of the 2004 train and tram franchise agreements (the current agreement) by the Victorian Auditor-General stipulated specifically:

*“Our overall conclusion is that the current train and tram franchise agreements represent reasonable value-for-money.”<sup>22</sup>*

In addition the NSW Independent Pricing and Regulatory Tribunal in October 2007 used the Melbourne franchise experience as a model for improvement for the rail network in Sydney stating:

*“IPART considers that there are several lessons from Melbourne’s recent regulatory experience that may lead to improvements in CityRail’s regulatory framework”.*

Critics of the Melbourne franchise model need to better understand the roles of the operator and the Government to appreciate the core benefits of the framework. Under the model, the franchisee is the operator and maintainer of the trains, responsible for:

- day-to-day operations;
- customer service;
- staff management;
- developing timetables;
- maintaining vehicles, stations, and infrastructure; and
- marketing services (including support for MetLink).

The Government is responsible for:

- funding network upgrades and infrastructure maintenance;
- long term planning and major capital projects;
- approving timetable changes;
- regulating fares; and
- monitoring performance.

TTF recognises that there were some issues with the original franchise, established in 1999, but the current franchise agreement has delivered significant improvements in the number of services and overall efficiency of the system. Despite overcrowding being a major hindrance to the current performance of the network, the fact remains that the model and the operators have been successful in bringing Melburnians back to the rail system. In fact, patronage growth on the Melbourne rail system over the past three years is more than double the growth of any other system in Australia over the same period.

The latest franchise agreement will further improve on the model. The announcement of a capped \$1 million penalty payment, the introduction of incentive payments and the extended length of the contracts (up to 15 years), for instance, will provide an environment that will further drive network efficiency and improvement.

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<sup>22</sup> Cameron, JW, Auditor-General, *Franchising Melbourne’s Train and Tram System*, September 2005, p5.

## 5. LONG TERM TRANSPORT PLANNING AND INVESTMENT

It is clear that the performance of the system has been stymied by the lack of long term investment to expand the capacity of the network. The issues experienced throughout January and February 2009 and ongoing issues with overcrowding, congestion and operating performance is a direct result of consecutive Governments' unwillingness to provide the system with the necessary funding to expand and upgrade.

With significant lead times for public transport infrastructure delivery, the planning and commencement of significant infrastructure projects were required over the past decade to avoid the events that occurred at the beginning of 2009.

### 5.1 State Government planning and investment

In recent years the Government has begun to realise the substantial strain on the network and made appropriate contributions to facilitate improvement. The *Meeting Our Transport Challenges* plan was announced in May 2006, allocating \$10.5 billion over 10 years to improve the entire transport network, including the rail system. As part of the plan, the Government enlisted Sir Rod Eddington to undertake an investigation of the best options for improving Melbourne's east-west transport connections. An inquiry was established in 2007 and the resulting East West Needs Assessment report in 2008 provided a snapshot of not only Melbourne's east-west transport link options, but also of the interconnectiveness of the entire Melbourne transport system. In December 2008, the Government released an updated \$38 billion, 15-20 year transport plan, *The Victorian Transport Plan (VTP)*, outlining the Government's strategy for meeting the transport needs of the state into the future.

For the rail network the Government has promised:

- *New trains and tracks*  
Up to 70 new six car trains and more than 100km of new rail tracks.
- *Regional Rail Link (Tarneit Link)*  
A new 40 kilometre twin-track rail link from West Werribee to Southern Cross Station via Tarneit and Sunshine, and new platforms at Southern Cross Station, to separate regional and metropolitan train services.
- *Melbourne Metro*  
A new rail tunnel between west and east that will increase the capacity of Melbourne's rail network by around 12,000 passengers every hour and reduce congestion.
- *Regional Rail*  
To restore passenger rail services to Maryborough and to increase up to 74 the number of new V/Line carriages on order.
- *Rail extensions*  
Extensions from Epping to South Morang and electrification of the Sydenham line to Sunbury and the Melton line. New train stations at Lynbrook, Cardinia Road, Williams Landing and Caroline Springs.<sup>23</sup>

These commitments form the basis of the State Government's ambitious and commendable long term goal of 20 per cent mode share by 2020.<sup>24</sup> This goal will not only require considerable investment but also long term political commitment to ensure it is achieved. In addition, commuters need to be aware that projects will take considerable time before delivery or benefits can be realised and thus should not expect to see substantial improvements until that time.

<sup>23</sup> The Victorian Transport Plan, p12.

<sup>24</sup> Ibid, p63.

The Government has recently provided funding for the first four years of the VTP, with investment of more than \$3 billion in 2009-10 in transport infrastructure allocated in the latest state budget – including \$562.3 million for the extension of the Epping line to South Morang.

In addition, the Government is to be commended for its successful lobbying of the Federal Government, which saw both the Regional Rail Link and the Melbourne Metro both included in the Infrastructure Australia Priority List - with the Regional Rail Link allocated more than \$3.2 billion in Commonwealth funding for 2009-10.

That being said, more than \$12 billion of the \$38 billion required for the VTP is projected to be funded from the Federal Government. Bearing this in mind, the Victorian Government will need to ensure the Federal Government continues funding Victorian transport infrastructure in the long term in order for the plan to be realised.

## **5.2 Commonwealth Investment in Victorian Transport Infrastructure**

Although state governments have by and large undertaken the public transport investment task, the Federal Government has in the past allocated funding to state or city specific projects through a range of legislation and funding programs such as:

- Australian Land Transport Development Act;
- Australian Bicentennial Roads Development Trust Fund Act;
- Australian Centennial Roads Development Act; and
- The Better Cities Program.

Despite the propensity of successive Federal Governments to steer clear of direct investment in public passenger transport, TTF is encouraged by the current Federal Government's establishment of the Building Australia Fund and Infrastructure Australia as new mechanisms for funding. The Infrastructure Australia priority list provides the Federal Government with the foundations for long term investment in critical capacity building infrastructure projects.

However, TTF believes, that a further potential source for long term ongoing federal investment in Victorian transport infrastructure is through the Nation Building program (formerly AusLink). While currently focused solely on road and rail freight infrastructure, TTF argues that the scope of the Nation Building program should be expanded to include funding of public passenger transport infrastructure projects of national significance. This could be achieved with the support of the Victorian Government through the Australian Transport Council.

## **5.3 Public Private Partnerships**

Despite the recent funding allocations in passenger rail infrastructure, the global financial crisis is placing considerable pressure on both the Victorian and Federal budgets. The importance of private sector investment will also be critical to ensure projects are delivered as planned. Not only do Public Private Partnerships (PPPs) provide an option for infrastructure delivery while shielding taxpayers from financial risks, research undertaken by the Allen Consulting Group for Infrastructure Partnerships Australia found that PPPs resulted in superior results in respect of cost over-runs, time delays and transparency:

*“Our overall conclusion is that PPPs provide superior performance in both the cost and time dimensions, and that the PPP advantage increases (in absolute terms) with the size and complexity of projects....In contrast to commonly held perceptions about the relative transparency of PPPs, we found that PPP projects were far more*

*transparent than traditional projects, as measured by the availability of public data for this study.*<sup>25</sup>

By tapping into the skills and abilities of the private sector, the Victorian Government can give itself a greater chance of realising its ambitious plans for a better rail, and wider transport, system for Melbourne.

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<sup>25</sup> The Allen Consulting Group, *Performance of PPPs and Traditional Procurement in Australia*, November 2007, p32.

## CONCLUDING REMARKS

TTF welcomes the opportunity to contribute to the *Legislative Council Select Committee on Train Services*.

Train services are the key component of the Melbourne transport system, essentially for the longer haul mass movement of commuters. Investment in an efficient, reliable and safe train system is pivotal to ensuring Melbourne remains vibrant, liveable and productive.

TTF believes that the series of cancellations and delays throughout January and February 2009 period were unprecedented and could only have been avoided with long term investment in the train network over a period of decades.

For the future, it is clear that large infrastructure projects are required to ensure Melbourne remains mobile. To this end, it is imperative that the Government follow through with the Victorian Transport Plan. Despite current pressures on state finances, now is the time to embrace innovative thinking to ensure critical infrastructure projects are delivered at minimal cost and risk to the taxpayer.



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