



# **Rail Futures Inc**

A0059839B

## **2015-2016 Victorian State Budget Submission**

This submission has been prepared by Rail Futures Incorporated in the public interest. Rail Futures Inc is an independent non-partisan group formed to advocate cost effective rail and intermodal solutions for public transport and freight problems based on sound commercial, economic and social reasoning. Rail Futures members include very experienced rail professionals, engineers and economists

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PRIORITY	PROJECT AND RATIONALE	ESTIMATED AMOUNT
1	<p><b>Melbourne Metro Project</b>  The Government has re-iterated its commitment to implementing the Melbourne Metro project and has indicated \$300 million will be provided in the Budget for further engineering development and planning work.</p> <p>Rail Futures strongly supports this commitment, but asks the Government to provide sufficient funds to further expedite this project as it is the keystone of further suburban rail development in Melbourne on the basis that:</p> <p>(a) The Melbourne Metro project is the most significant public transport project needed currently being planned;</p> <p>(b) Vital enhancements to the suburban rail network depend on the project, including network extensions to Melton and Melbourne Airport as well as capacity increases on other key suburban routes;</p> <p>(c) Having the capacity equivalent to 28 lanes of freeway, the Metro is the project that will contribute most to the reduction in congestion in Melbourne;</p> <p>(d) The project specifically assists mobility in Melbourne’s rapidly growing areas to the north west and south east;</p> <p>(e) It is vital that the Project Team be retained and built over coming years so that planning and implementation momentum is maintained;</p> <p>(f) The project has been endorsed by Infrastructure Australia as sound and ready to proceed;</p> <p>(g) There is a minimum time to completion of 8 years and if implementation processes commence immediately likely completion would be 2022 –23 by which time population growth and travel demand pressures will be massive ;</p> <p>(h) The project has a positive Benefit Cost Ratio of 2.</p> <p>(i) The project is effectively shovel-ready with early works capable of being commenced during 2016.</p> <p style="text-align: right;"><b>TOTAL REQUEST</b></p>	<p>.</p> <p>Rail Futures proposes that a further \$300 million for metro development be allocated in the 2015-16 State Budget for allocation over three years as under:</p> <ul style="list-style-type: none"> <li>• 2015-16 - \$150 million</li> <li>• 2016-17 - \$150 million</li> <li>• 2017-18 - \$300 million</li> </ul> <p>Rail Futures considers another Project Team should be established immediately to identify how the full project can be prudently funded in the shortest possible time, and should examine such questions as</p> <p>(a) How value capture can be used to assist in funding the project, particularly in areas surrounding sub-surface stations at Arden, Parkville and South Yarra;</p> <p>(b) Introduction of a metropolitan improvement rate similar to that used to part finance the Melbourne Underground Rail Loop;’</p> <p>(c) Assignment to the project of sale or lease revenue from surplus railway land at E-Gate, Dynon and similar locations – (Such funding was critical to the funding of the Hong Kong Metro);</p> <p>(d) A Victorian Government Infrastructure Bond Issue for this specific purpose.</p> <p>(e) PPPs in relation to each new station on the system; and/or</p> <p>(f) A modest levy on existing public transport Zone 1 fares.</p> <p style="text-align: right;"><b>\$ 600,000,000</b></p>

PRIORITY	PROJECT AND RATIONALE	ESTIMATED REQUIREMENT
2	<p><b>Mildura Line Standardization and Murray Basin project</b></p> <p>During 2014, the Murray Basin Infrastructure Project identified significant economic benefits that would derive from standardizing the Geelong to Mildura railway and its branches. A Business Case examining the costs and benefits of this project and preferred configurations is understood to be well advanced.</p> <p>Despite substantial investment in recent years, the Mildura line remains in poor condition, while train speeds are low due to Temporary Speed Restrictions associated with level crossings. The case for further investment is based on the following considerations:</p> <ul style="list-style-type: none"> <li>(a) The project reflects the critical role this line has to serve intermodal, grain and mineral sands traffic on the line; to reduce road damage and road trauma, and reduce the level of investment in highways in the northwest that will otherwise be needed to cater for heavy road transports for mineral sands movements to Hopetoun;</li> <li>(b) The Mildura line is Victoria’s most important intrastate intermodal rail freight corridor, and intermodal services have positive private sector management through Wakefield transport;</li> <li>(c) The standardization would lay the foundation for the development in the next decade of a Mildura-Menindee transcontinental connection (which is important both for long distance container traffic as well as food bowl exports)</li> <li>(d) The long-awaited reinstatement of the Mildura passenger train will require the upgrades also required by the freight role of the line.</li> </ul> <p>The project is understood to have a positive cost benefit ratio and to be shovel-ready.</p> <p>It has the capacity to provide local employment opportunities in a number of low SES regions in the state.</p> <p style="text-align: right;"><b>TOTAL REQUEST</b></p>	<p>\$220 million was identified as the base figure in the Murray basin Infrastructure study.</p> <p>If confirmed, the likely required cash flow would be:</p> <ul style="list-style-type: none"> <li>• 2015-16 - \$20 million</li> <li>• 2016-17 - \$80 million</li> <li>• 2017-18 - \$80 million</li> <li>• 2018-19 - \$40 million</li> </ul> <p>The Business Case may refine this figure based on the configuration recommended to Government.</p> <p style="text-align: right;"><b>\$ 220,000,000</b></p>

PRIORITY	PROJECT AND RATIONALE	ESTIMATED REQUIREMENT
3	<p><b>Rolling Stock</b> There is an increasingly urgent requirement for additional new rolling stock driven by a combination of ongoing increases in rail and tram patronage and the need to replace large numbers of trains and trams that entered service during the late 1970's and early 1980's and are at or near life expiry. Continued operation of these older trains and trams involves high maintenance costs and poor service reliability.</p> <p><b>(a) Metropolitan trains</b> Ongoing fleet expansion (together with closely related train stabling and maintenance facilities) is essential to meet anticipated patronage increases, especially from stations in designated urban growth areas. In addition 93 ComEng trains that first entered service during the 1980's are becoming increasingly unreliable and difficult to maintain as they reach or near the end of their 35 year economic life. The proposed ComEng replacement is a technologically advanced "new generation train" with 20% greater passenger capacity and greatly improved performance. At least 120 such trains will be needed and should be ordered for progressive delivery over 10 years. A long term contract is needed to achieve best possible pricing and ensure work continuity for the successful supplier. Up to 50% of the contract value could sensibly be represented by local content. .</p> <p><b>(b) Regional trains</b> Notwithstanding several incremental orders of additional VLocity carriages from Bombardier at Dandenong, patronage growth, particularly on V/Line shorter distance regional commuter services, continues to exceed train capacity and the opening of the new Tarneit, Wyndham Vale and Ravenhall stations this year will further boost demand. The Government has committed to provide an additional 20 VLocity carriages. By far the most cost-effective short term solution would be to acquire additional non-powered trailer carriages so that existing 3-carriage VLocity trains can be expanded to 4 carriages. Later, the elderly V/Line long distance carriage fleet will need to be replaced</p> <p><b>(c) New trams</b> – Almost 150 Z class trams built between 31 and 40 years ago should be replaced before the end of this decade. They are not air-conditioned, are too small for current loadings, do not meet disability access standards and incur excessive maintenance costs. The 50 E class trams on order from Bombardier at Dandenong will be in operation by 2017 and a follow-on order for a further 75 E class trams will enable the withdrawal of around 100 Z class trams. This will also provide an opportunity for price re-negotiation, ensure production continuity and provide job protection at the plant for at least a further 5 years.</p> <p style="text-align: right;"><b>TOTAL REQUEST</b></p>	<p>These are very significant investments with a likely combined value of up to \$3billion however ongoing rolling stock procurement is unavoidable. Proposed fleet acquisitions would have approximate values of:</p> <ul style="list-style-type: none"> <li>* Metro trains \$2.4bn over 10 years</li> <li>* Regional trains \$100m over 2 years</li> <li>* New trams \$450m over 5 years.</li> </ul> <p>The assumption is that the vehicles will be leased through the Rolling Stock Holdings subsidiary of VicTrack in accordance with previous arrangements.</p> <p style="text-align: right;"><b>Leasing Costs</b></p>

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4	<p><b>Metropolitan/Regional Rail Improvement Package</b></p> <p>Following full implementation of the Regional Rail Link project, capacity of the metropolitan and regional rail networks is still significantly constrained by a range of localised physical impediments which also affect rail service reliability and hence customer satisfaction. Rapid population and rail patronage growth on several lines will steadily worsen the position in coming years.</p> <p>Although widespread improvement throughout much of the metropolitan rail network will be achieved when Melbourne Metro (MM) ultimately eventuates, this will not be achieved before 2022-23, i.e. at least two full terms of Government hence. Rail Futures therefore strongly advocates the need for a pipeline of suitable but modest cost projects to be progressively implemented over the next 4 years. These will address existing impediments and allow a discernable improvement to rail passenger service levels well ahead of MM. They will also be required irrespective of MM.</p> <p>The recommended projects, our suggested priority sequence and their approximate costs are:</p> <ul style="list-style-type: none"> <li>(e) Deer Park West to Melton track duplication - \$115 million over 3 years (including second platform at Ravenhall)</li> <li>(f) Heidelberg to Rosanna track duplication - \$105m over 3 years</li> <li>(g) South Geelong - crossing loop and additional platform - \$20 million over 2 years</li> <li>(h) Southern Cross station - improved passenger interchange facilities - \$30 million over 2 years</li> <li>(i) Dandenong to Cranbourne track duplication - \$80 million over 2 years</li> <li>(j) Altona Junction to Seaholme track duplication - \$25 million over 2 years.</li> </ul> <p>Each of these projects project is expected to demonstrate a positive cost benefit ratio and could be ready for construction implementation within 12 months of project approval.</p>	<p>\$375 million would be required over 4 years as under:</p> <ul style="list-style-type: none"> <li>• 2015-16 - \$20 million</li> <li>• 2016-17 - \$115 million</li> <li>• 2017-18 - \$125 million</li> <li>• 2018-19 - \$115 million</li> </ul> <p>The Business Case may refine this figure based on the final scopes of work recommended to Government.</p>
	<b>TOTAL REQUEST</b>	<b>\$ 375,000,000</b>

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5	<p><b>Doncaster Light Rail</b></p> <p>Doncaster Light Rail A succession of reports over many years has recommended the provision of a light or heavy rail service to the Doncaster region. The Doncaster region’s population of 180,000 (similar population to Hobart or the Geelong region) is currently unconnected to Melbourne’s core heavy and light rail networks.</p> <p>Despite substantial investment in the upgraded DART bus services, current public transport arrangements do not adequately influence car dependency in this region, which contributes disproportionately to Melbourne’s traffic congestion. Now that the East West road tunnel has been abandoned, it is especially urgent to provide light or heavy rail connections to this region to offset the high number of driver only commuter car trips originating there. The most recent study has indicated that even a short heavy rail route terminating at the Doncaster Road Park n Ride would be prohibitively expensive at approximately \$5 billion.</p> <p>A modern light rail connection could be provided which could provide high speed high capacity public transport into the centre of the Doncaster community for about \$1 billion. It is proposed that a trunk light rail route be planned and constructed from Doncaster Shopping Town to the Melbourne CBD via Doncaster Road, Doncaster park n Ride, the Eastern Freeway, Alexandra Parade, Nicholson St and La Trobe St, terminating at a Docklands location.</p> <p>Research by Yarra Trams is understood to disclose higher car dependency in the Latrobe St tram catchment than in the areas served by the Bourke, Collins and Flinders St tram routes.</p> <p>An initial low cost aspect of this project could be the extension of the Route 48 tram from North Balwyn to Doncaster Shopping Town, with the eastern part of this route providing the future path for the direct light rail and allowing the project to be delivered in stages. It is proposed that in this budget \$30 million should be allocated for detailed planning and project development.</p> <p style="text-align: right;"><b>TOTAL REQUEST</b></p>	<p>\$30 million during 2015-16 and 2016-17 for project planning and development only</p> <p style="text-align: right;"><b>\$ 30,000,000</b></p>

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6	<p><b>Additional Regional Rail Passenger Services</b></p> <p>It has been apparent for some time that demand exists to justify the operation of additional trips to/from certain major regional centres, specifically to Albury, Warrnambool, Shepparton and intermediate centres and to extend some trips from Traralgon to Sale. However, V/Line maintains that this would require additional rolling stock.</p> <p>Rail Futures has undertaken sufficient investigation to demonstrate that, with modest modification of existing fleet utilisation arrangements, the existing long distance locomotive and carriage fleet is sufficiently under- utilised to enable provision of a limited number of additional daily services without the need to acquire additional rolling stock nor impact the utilisation of the VLocity and Sprinter fleets that provide most of the more intensive shorter distance V/Line services.</p> <p>In most cases, as demand has grown, additional road coach services have been provided to infill gaps in the existing timetables, however these are generally unpopular with the travelling public and involve a change of mode en route which passengers, especially the elderly, find inconvenient. These changes would enable:</p> <ul style="list-style-type: none"> <li>(a) <b>Albury line</b> – increase from 3 to 4 return services on weekdays</li> <li>(b) <b>Warrnambool line</b> - increase from 3 to 4 return services on weekdays and from 2 to 3 return services on Sundays</li> <li>(c) <b>Shepparton line</b> – increase from 3 to 4 return services on weekdays and from 2 to 3 return services Saturdays and Sundays.</li> <li>(d) <b>(Bairnsdale line</b> – increase from 3 to 5 return services on weekdays <b>to and from Sale only</b>. (No change proposed to Bairnsdale services operating east of Sale).</li> </ul> <p>The augmented services are estimated to involve estimated additional operating expenses of \$5 million per annum (net of reduced road coach costs) and should be implemented during 2016.</p> <p>A closely related issue is that some existing rail services on these lines and to Swan Hill are routinely replaced with road coaches during hot weather due to inadequacy and poor reliability of the air-conditioning equipment in the N and Z type carriages used on these services, the Albury line excepted. Fifteen of these carriages were fitted with replacement air-conditioning systems and refurbished during 2010-11 when converted to standard gauge for restored Albury line services. However, the remaining 63 carriages in this fleet are yet to be so modified.</p> <p>So that the existing and proposed additional services can be operated reliably and provide acceptable levels of passenger comfort, Rail Futures strongly recommends that the remaining 63 carriages comprising the V/line long distance fleet be similarly modified at an estimated cost of \$32 million over a two year period.</p> <p style="text-align: right;"><b>TOTAL REQUEST</b></p>	<p>\$32 million CAPEX for carriage upgrading during 2015-16 and 2016-17.</p> <p>\$5 million per annum additional operating cost commencing 2016-17.</p> <p><b>\$32,000,000 (CAPEX)</b> <b>\$5M pa (OPEX)</b></p>

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7	<p><b>Major Periodic Maintenance Allocation for Broad Gauge Freight Network</b></p> <p>The current annual allocation for Major Periodic Maintenance for the intrastate broad gauge freight network is approximately \$32 million over 4 years – or about \$8 million a year for the 1673 km freight only network.</p> <p>This results in low train speeds and excessive cycle times. \$8 million per annum is an insufficient allocation for an asset of this scale and if not substantially increased, will inevitably result in a steady decline in track condition and further speed reductions leading to ultimate line closures or the need for a major capital injection for rehabilitation, as previously occurred following the Fischer Report in 2007.</p> <p>An increase to \$30 M per annum is suggested. A key focus would be progressive replacement of timber sleepers with steel sleepers on the freight network, cutting long term maintenance costs. The steel sleeper replacement program at this level would initially replace 1 in 4 timber sleepers with steel sleepers over a 4-year period. Over the longer term, the remaining timber sleepers would also be replaced. Similar programs have proved very effective in NSW, Queensland and Western Australia.</p> <p>This program would also progressively offset the need to source increasingly scarce durable hardwood timber from the Murray River wetlands and other environmentally sensitive areas.</p>	Proposed annual ongoing Major Periodic Maintenance allocation of \$30M per annum.
	<b>TOTAL REQUEST</b>	<b>\$ 30,000,000</b>