

IPART review of rail access prices on NSW grain branch lines



What we were asked to do	<p>We were asked to assist the New South Wales Independent Pricing & Regulatory Tribunal (IPART) in determining the economically optimal split in railway branch line funding between users and government subsidy. We also assisted with understanding the likely impact of higher access prices on rail viability for particular regions.</p>
How we approached the project	<p>Our analysis comprised the following steps:</p> <ul style="list-style-type: none">• First we calculated marginal external benefits of rail transport for grain• Then we estimated the future line maintenance costs• We determined the mismatch between the current level of subsidy and the external benefits of rail freight on grain branch lines, and• Finally, we assisted in determining the access price increase that would reduce this mismatch while minimising adverse impact on rail's competitiveness.
Our findings	<p>We found that:</p> <ol style="list-style-type: none">1. Current subsidies significantly exceed the external benefit of rail freight on most lines2. The user-share of payment burden needed to increase significantly3. We recommended an approximate doubling of branch line access prices4. We estimated that this level of price change would have minimal impact on rail's competitiveness <p><i>continued over</i></p>

Our findings	<p>5. Proposals for further investment in branch lines were not justified on either a financial or social cost-benefit basis, and</p> <p>6. The case for continued operation of some branch lines was extremely weak, notwithstanding the findings of the 2009 Commonwealth report (the NSW Grain Freight Review was generally more supportive of retaining loss-making branch lines and investing in the improvement of some lines than the IPART report).</p>
Read the final report	<p>www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Rail_Access/2010_Review_of_Access_Pricing_for_the_NSW_Grain_Line_Network</p>