



On the right track: railway development in South Australia 1968 - 1998

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Abstract:

Thirty years ago, South Australia was served by two government owned railways (Commonwealth Railways and South Australian Railways) operating over broad (SAR) standard (CR) and narrow gauge (SAR + CR) tracks (two privately owned mineral tramways also ran on the Eyre Peninsula). Ten years later, the Commonwealth Government controlled all the bulk freight and passenger rail services, operated by the Australian National Railways Commission; while the State Government's rail responsibilities had been reduced to ownership and operation of the Adelaide metropolitan suburban passenger system.

In the 1980s the Commonwealth's rail operations were split between ANRC and the new National Rail Corporation, AN continuing to operate passenger services and intrastate freight and NR taking over interstate freight train service. Then in 1997 the AN passenger, coal, and other freight functions were sold to separate consortia.

The paper describes the changing market, policy and regulatory environment in which the modern South Australian rail system has evolved, the new lines that have been constructed, the almost-continuous gauge standardisation program, the service changes and line closures that have taken place, and the government plans and managerial initiatives contributing to the current network and operations.

The paper draws on the findings of several reviews and planning studies undertaken by governments, management and consultants, to demonstrate that significant progress on rail reform occurred mainly when strong decision making by governments (often under fiscal constraints) was combined with capable direction and professional management to effect positive change to safety, finance and operations of passenger and freight rail services.

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Introduction

The State owned South Australian Railways [SAR] in 1970 consisted of a 3,935km network, 2,578km of which was broad gauge [1600mm], 396km standard gauge [1455mm] and 961km narrow gauge [1067mm]. In addition, the standard and narrow gauge networks that spanned the State from Port Pirie to the State's western border and from Port Augusta northwards to Alice Springs were owned and operated by the Commonwealth Railways [CR]. This curious microcosm of the three railway gauge issue in Australia developed partly because of South Australia's geography [an expansive semi-arid state in the south-centre of the continent], partly because of engineering and cost considerations, partly because of the parochial desires to develop transport links between hinterlands and ports, and partly because little consideration was given in earlier years to developing a cohesive railway network. As a result, even as late as the 1970s and 1980s Peterborough, in the State's mid-north, could lay claim to the dubious fame as the only location in the world where three railway gauges came together

The broad gauge dominated in the areas adjacent to Adelaide, developed during the late nineteenth and early twentieth centuries to serve the agricultural and mining industries of the colonial State, plus suburban lines linking Adelaide to small coastal communities that were later to become suburbs of the metropolitan region. Narrow gauge lines with lower construction and maintenance standards were built to serve more distant, and in some cases marginal, grain areas in the lower south-east, mid-north, far-north and Eyre Peninsula. Standard gauge lines were a twentieth century development in South Australia, the first being the Commonwealth Railways line across the Nullarbor completed in 1917.

There is a tendency to think of the gauge standardisation program in Australia as a later twentieth century activity, but in South Australia there has been an almost continuous program of changing rail gauges since the 1920s. The pace of reform can be judged by the fact that all three gauges still exist in the State, though narrow gauge trains can now only be found on the lines of the Eyre Peninsula, including the iron ore tramways owned and operated by BHP.

For a description of the range of owners, the changes that took place in the system to 1968, the financial drain on the State Government's finances, and resulting political control of the railway the reader is referred to existing sources [for example, Jennings [1973] and Fitch [1989]]. This paper deals with the more modern history, commencing with the reviews of the South Australian Railways in the late 1960s and early 1970s, describes the Transfer of the non-metropolitan SAR to the Commonwealth Government in the 1970s, outlines the rise and demise of Australian National [AN], the development of third party operators [including the National Rail Corporation] and discusses the residual issue of the Adelaide metropolitan network.

The paper describes the changing market, policy and regulatory environments in which the modern South Australian rail system has evolved, the new lines, service changes and line closures that have taken place, and the Government's plans and managerial initiatives

contributing to the present network and operations. The findings of reviews and planning studies undertaken by governments, managers and consultants are evaluated to test the hypothesis that *significant progress on rail reform occurs when fiscal constraints are combined with strong decision making by governments and capable and professional management*. Together these can effect positive change to the finances and operations of passenger and freight rail services

Frequently changing directions

In February 1968 the Report of the Royal Commission on State Transport Services [Royal Commission on State Transport Services, 1968] was tabled in the Legislative Council, following an 18 month inquiry into intrastate transport regulation in South Australia. The Royal Commission had been asked to report on the need for regulatory reform of the transport sector, but the Report devoted considerable space highlighting the precarious nature of the SAR's finances. The Royal Commission recommended, "The system should give, substantially, freedom of choice between road and rail services, competition where volume justifies between road operator ...". In effect implementation of the Commission's recommendations completed the process of deregulation of road freight in South Australia although protection of rail passenger services continued for a few more years. The Royal Commission also recommended "A complete review should be made of railway services, particularly some branch lines, to eliminate those which are uneconomic and where alternative services can be provided"

At the same time the Railways Commissioner, Mr R J Fitch, had himself made formal submissions to the State Government concerning changes that needed to be made to the railways operations, finances and organisation to be able to function more effectively in the new competitive environment

The political framework for a considered response to the Royal Commission's recommendations was positive, as the Labor Party was returned to power in 1970 following many years of conservative government and a short inter-regnum of minority governments in the late 1960s. In hindsight it can be considered that the "colonial" railway mentality and the protectionist government policies belonged to the past and that reform was necessary in several areas. However the emphasis was to be on social reform in the Dunstan years, so the railways were to remain an anachronism in the transport system, despite the changes that did occur

In April 1971, with a worsening of the SAR finances, Cabinet appointed a three person committee "To examine the operations, services and administration of the South Australian Railways with special reference to efficiency, economy and effectiveness ..." and spelt out the matters to be investigated in detail, for example, commercial matters, engineering, human relations and traffics

The Lees Committee [consisting of three public servants - one an engineer, one an auditor and one an economist] presented its three volume report to the Minister of Roads and Transport after two years of exhaustive and detailed inquiry [Lees et al, 1973]. The

Committee responded comprehensively to its commission, making almost 200 recommendations. Acknowledging that changes were taking place in the network [the Broken Hill-Port Pirie standardisation had been completed as recently as 1970 and the short extension of the suburban system to Christie Downs was under construction] the Committee recommended the closure of eighteen branch lines totalling 1,173km, representing some 30% of the system, and a review of five more "doubtful" branches totalling 1,200km in length. To restore the financial health of SAR, the Report therefore prescribed the closure of at least 30% and up to 60% of the total SAR system.

Comparing the 1998 system in South Australia with the Lees recommendations, the foresight of the Committee was remarkable. A few branches on their closure list still exist, particularly most of the Eyre Peninsula lines while, others that would have remained in their proposed rail system have been closed, for example, the Peterborough and Mount Gambier lines, but the Committee's plans have largely been implemented. However, this was not a direct response to the release of the Report, because by 1973 negotiations leading to the transfer of the non-metropolitan SAR to the Commonwealth Government had already begun. The Committee, in its letter transmitting its report to the State Government, noted "Our report takes no account of these negotiations. However, we are of the opinion that most of our recommendations will remain valid whatever agreements may be reached between the State and the Commonwealth". That comment was very accurate.

The Lees Committee recommended [p 23] that "The SA Railways should be directed by a Board". The State Government established the short-lived South Australian Railways Advisory Board in 1973, chaired by the Director-General of Transport; its main function would be to prepare and oversee the technical and planning aspects of the State's position in the negotiations with the Commonwealth Government and their counterparts in the Federal Department of Transport and the Commonwealth Railways, under the direction of the Premier, Treasurer and the Minister of Transport. The Lees Report was a vital resource for the negotiating team.

The driving forces behind the process for change in this period were the financial difficulties of the SAR combined with the desire of the State Government to rid itself of the associated burden of debt highlighted by the Royal Commission, and the rigorous financial and operational analysis of the rail system by the Lees Committee.

The Railway Transfer

The transfer of SAR and the Tasmanian Government Railways to the Commonwealth Government has its origins in an offer from the then Premier of Victoria, Sir Henry Bolte, to give the loss-making Victorian Railways to the Commonwealth. The offer was made at a meeting of the Premiers' Conference in June 1970 [Herald, 1970] but received no response from the then Prime Minister, John Gorton.

In the Labor Party Policy Speech leading up to the federal election of 2 December 1972, Gough Whitlam announced that "A Federal Labor Government will accept the offers of

the New South Wales and Victorian Premiers for a transfer of their State railway systems and accept such an offer from any other State" [Australian Labour Party, 1972]. At that time the high cost of running all the state railways was a serious financial concern and governments were attempting to balance the deficits against the strong rural lobbies resisting increased charges, service changes and particularly line closures [see for example, Samuel, 1972].

The Federal Labor Government acted quickly to implement its railway policy and in a letter to the South Australian Premier dated 15 December 1972 the new Prime Minister confirmed the willingness of the Australian Government "to enter into discussions with a view to seeing whether a mutually satisfactory basis for the transfer of the non-urban railways in your State can be devised" [Whitlam, 1972]. Despite the wording of the Party Policy, South Australia and Tasmania were the only states to accept the offer of Commonwealth Government ownership. It is significant that the states to accept were both Labor governments and both had rail systems that were a considerable drain on the public purse. Consequently, the negotiations between the states and Commonwealth were to hinge as much on intergovernmental financial relations as on transport policy.

The Premier of South Australia, Don Dunstan, responded positively to Mr Whitlam, suggesting joint teams to be set up to investigate the major areas of negotiation: rail operations, financial considerations, industrial matters and legislative implications. The teams were headed by the respective Ministers of Transport [C W Jones for the Commonwealth and G I Virgo in South Australia] and consisted of officers from the transport, finance and legal portfolios of the respective governments, with a series of sub-committees dealing with the specific issues.

The negotiating process took about two years and was generally harmonious, if protracted. Procedures for dealing with the future of staff employed on the railways, particularly the workshops, were time consuming, as were those relating to the value and transfer of ownership of assets. As an example, it was agreed that the land on which the railways operated would be a perpetual lease, but would revert to the State when no longer required for rail purposes, thus avoiding the need for a massive inventory of the railway land and its boundaries. Another major issue was the definition of the metropolitan system to remain in State ownership and operation; this was a second best solution, as the alternative was the complete separation of the metropolitan passenger network from the freight routes. However, over time the number of suburban routes that have both freight and passenger services have decreased, thus achieving a large part of the original objective, albeit with a number of at-grade railway crossovers.

In January 1974 the issues were enunciated to the governments in the "Report of [the] Joint Australian State Officials' Committee on [the] Transfer of South Australian Railways" [Department of Transport, 1974]. Its recommendations formed the basis of finalisation of the "Principles to Govern the Transfer of the Non-Metropolitan South Australian Railway System to the Australian Government" [Department of Transport, 1975]. The agreement provided for the financial responsibility for the non-metropolitan railways to be accepted by the federal government from 1 July 1975 at which time South

Australia would cease to be a Claimant State. Financial assistance would commence in February 1974/5, involving cash grants and a revision of the base for the Financial Assistance Grant for South Australia to take account of a special grant [\$25m in 1975], assets transferred [\$25m] and the non-metropolitan deficit [\$32m]. As might be expected, some of these benefits were to be offset in future years [see, for example, Goldsworthy, 1981].

In addition to the big items, the State received a number of smaller but significant concessions, for example, the right to nominate a member of the Australian National Railways Commission [ANRC] for up to ten years, continued involvement in rate setting and line or service closures [with the provision for arbitration], improved rail links to Outer Harbour and the headquarters of Australian National [AN] to be in South Australia.

The transfer was formalised in complementary Commonwealth and South Australian Railways legislation, with the Agreement forming the schedules to the respective Acts [Railway [Transfer Agreement] Act, 1975]. The Acts also made provision for the practical transfer of the railways from State to Commonwealth control, with the State Transport Authority [SIA] continuing to run the non-metropolitan railways on the Commonwealth's behalf from the "commencement date" of 1 July 1975 to the "declared date" of 1 March 1978 when the ANRC would take over direct operating and staffing responsibilities for the non-metropolitan railways. As at that date staff required to operate the SIA's suburban rail system would be "made available" to the Authority, a situation that was to remain in place for many years.

The driving force behind the changing events over this period was the vision of an Australia wide railway network by the incoming and reformist Commonwealth Government, and the willingness of the Commonwealth Government to take on the financial liability for the South Australian and Tasmanian railway systems. The financial burden of the railway systems in the other states was not sufficiently great to overcome the ideological differences between those states and the Commonwealth Government.

Australian National Railways

To effect the Railway Transfer Agreement and to establish the involvement of the Federal Labor Government's rail transport policy the Governor General assented to the Australian National Railways Act on 18 April 1975 by amending the previous Commonwealth Railways Act. As well as empowering the Australian National Railways Commission to take over the former Commonwealth Railways, the Act also [in Section D15] gave the Commission powers to operate within a State or Territory, thus facilitating the transfer of the Tasmanian and South Australian railways into the new Australian National Railways. In practice further revisions to the ANR Act were required to accommodate matters that emerged as a result of administering the new combined railway, for example, those relating to promotional or disciplinary appeals and to superannuation.

AN operated the South Australian intrastate and the South Australian portions of interstate [with minor incursions into New South Wales, Victoria, Northern Territory and Western Australia] freight services and interstate passenger trains from 1975 to 1992 when the National Railway Corporation took over operation of most of the interstate freight services. AN continued to run long distance passenger trains and country freight [plus TasRail] until its effective demise in November 1997. In these two decades in South Australia, AN achieved a great deal, mainly because of the decision of the AN Commission to operate as a commercial entity. At the outset AN regarded very few of its activities as "commercial", and applied to have many services designated as non-commercial and eligible for reimbursement from the Commonwealth Government under Section 44 of the ANR Act. A list prepared in the early 1980s for the ANRC listed 15 South Australian country freight services, four country passenger services, the interstate passenger trains, the whole Tasmanian network, plus such items as the rate-capped Leigh Creek to Port Augusta coal traffic rate, student concessions, superannuation, livestock and surplus staff as non-commercial.

It is a measure of AN's progress [and the correctness of the Lees Report] in pursuing commercial objectives that all but four of the unprofitable country freight services were closed in the following 15 years, as were all the country passenger rail services and the livestock traffic [Keal, 1981]. AN's staff was reduced from about 11,000 at the declared date to 2,500 in 1997. These changes would not have been possible within the same time frame under the former State owned regime. The fact that the final decision making was now remotely located in Canberra instead of on the rail managements' doorstep in Adelaide was a major factor in the pace of reform.

Not that individual changes were easily or quickly achieved. The Victor Harbor and the Mount Gambier passenger train services were subjected to arbitration, as provided for in the Rail Transfer Agreement [Pascoe, 1994 and Newton, 1991]. Independent economic reviews of the Peterborough-Quorn and Gladstone-Wilmington narrow gauge grain lines, isolated from the main network since the standardisation of the Broken Hill-Port Pirie line in 1968, were undertaken before closure was agreed to by the State Government [Lynch, 1976a and Lynch 1976b]. Similar exhaustive reports were prepared by AN's Corporate Services before the Commission initiated procedures to close other services, for example, the Adelaide to Peterborough and Jamestown passenger services [ANRC Corporate Services, 1984].

Despite the impediments, major improvements took place following AN's establishment. The opening of the Port Augusta to Whyalla line in 1972 was the fruition of a Commonwealth Railways initiative, but the construction of the Tarcoola to Alice Springs standard gauge rail line, opened in 1980 to replace the former narrow gauge route via Oodnadatta, was an AN project and was accompanied by the introduction of a new weekly Ghan passenger train using equipment similar to that operating the Indian Pacific transcontinental train. On the freight side AN encouraged the adoption in Australia of the RoadRailer technology to provide premium services for high value products. The service was introduced on a trial basis between Adelaide and Whyalla, and subsequently between Melbourne, Adelaide and Perth. The Intergovernmental Agreement to

standardise the railway from Adelaide to Crystal Brook was enacted in 1980 [Railway Agreement [Adelaide to Crystal Brook Railway] Act, 1980] and the line opened in 1982. The final link in the intercapital standard gauge railway between Adelaide and Melbourne opened in 1995, based in part on the investigations and studies undertaken by AN. The new standard gauge links created new opportunities for long distance rail freight in Australia. However, a more cost effective project, also funded under the Commonwealth's One Nation Program, was to increase the loading gauge clearances between Port Augusta and Perth so that double stack container trains can now run from Adelaide or Parkes through to Perth

Other benefits to South Australia during AN's tenure of the State's rail tracks are less obvious but of no less importance, and include the introduction of strategic planning into rail operations, and a culture of change to move towards world's best practice. The external manifestation of this was the Commission's and management's strong support for the Australian Railway Research and Development Organisation. Without the strong analytical techniques and project evaluations undertaken by these professionals, the changes proposed would still have been subjected to the traditional ad hoc, intuitively rather than factually and politically driven processes that characterised the period up to 1968

In summary, although Mr Whitlam's vision for a national railway in Australia was not achieved by AN, the achievements of AN and the finalisation of the protracted program of gauge standardisation in Australia formed the base which enabled a national outlook on rail freight and the emergence of new rail players in the network previously dominated by state governments and their agencies

During this period of rail reform in South Australia, the driving forces were the commercial charter of AN, the rational analysis undertaken by AN of its own operations and those of competing carriers, and the absence of political interference in the day to day operations of the railways.

Third party operators

While there was a broad understanding that a national approach to railways was necessary, a simple takeover by a Federal body of the remaining state rail authorities was strongly resisted by both the authorities themselves and their government owners. Simply adding even just the interstate components of the Queensland, New South Wales, Victorian and Western Australian railway systems to AN was therefore politically impossible. Although AN was a merger of three former railways, was under Commonwealth Government ownership and was centrally located geographically in Australia, it was still a small railway operating on the western edge of the main east coast rail corridor. Even though AN had successfully negotiated more efficient management of interstate passenger train services in Australia, it became clear in the late 1980s that any plan to extend AN's sphere of influence into the eastern states was unlikely to succeed

The National Freight Initiative, which had its origins in efforts to improve the competitiveness of rail in the important Sydney-Melbourne corridor, recommended that a new organisation should be created and superimposed on the existing rail system [National Freight Initiative, 1990]. With the Commonwealth Government as the main driving force, the National Railway Corporation Limited [NRC] was formed in 1991 pursuant to an Intergovernmental Agreement involving three major shareholders: the Commonwealth, New South Wales and Victorian Governments, with the three other mainland states as partners [or "other States"] to the Agreement. The Agreement and the Memorandum and Articles of Association of the company are schedules to the complementary legislation passed in each jurisdiction.

In effect, as a result of the businesses and assets either transferred by the parties to National Rail or through contractual arrangements entered into by NR, the company has since 1 February 1993 operated most of the intercapital freight trains in Australia, plus a number of major freight flows to other terminals, for example, steel between Whyalla, Port Kembla, Wollongong and Westernport. Under the terms of its Act, NR can also operate intrastate services with the agreement of the relevant state government [though this has been resisted by the signatories to the NRC Act], and has recently won the contract to provide head end power for the passenger trains formerly operated by AN. Despite the opposition of both AN and the South Australian Government, the highly profitable Broken Hill to Port Pirie concentrates traffic was also transferred from AN to NR as technically it is an interstate service though operated as if it was intrastate.

As well as its focus on train and freight terminal operations, NR was chosen by the Commonwealth Government to manage the One Nation rail infrastructure program in the mid 1990s, including the Adelaide to Melbourne standardisation program and related infrastructure improvements in the east-west transcontinental corridor and in the north-south Melbourne-Sydney-Brisbane corridor. NR was chosen for this task in preference to the state rail authorities because of Commonwealth Government concerns that the state agencies would focus too closely on their own individual needs rather than the needs of the network, and because at the time it was possible that NR would become the owner of the interstate rail network.

At the same time as NR was being set up, a major policy shift was occurring in railways in many countries around the world and was reflected in Australia - namely that of separating rail traffic from operations "aimed at creating an environment in which access to infrastructure is open to all potential users" [National Railway Corporation, 1994]. During the early 1990s several inquiries [for example, Hilmer, 1993] encouraged such a move in Australia and in recent years several states and the Commonwealth have moved towards such an approach, including the establishment of the AN Track Access Unit which formed the basis of the Australian Rail Track Corporation located in Adelaide [Track Access, 1995].

Trains of one operator moving over tracks of another operator are not new in Australia. For example, both AN had and NR has running rights over the State owned metropolitan railway tracks in Adelaide, and the former AN managed interstate passenger trains

running over tracks in New South Wales, Victoria and Western Australia. But the new regime envisages a clear separation of the track owner/manager from the train operator.

The gradual acceptance and emergence of the new competitive regime has encouraged several private companies to run their own trains between Melbourne and Adelaide and Melbourne/Adelaide-Perth. Operations include Specialised Container Transport, Patricks and Toll Holdings. Varying contractual arrangements apply, though in most cases AN provided the initial locomotives and crews required to haul the trains, in some cases running in competition with NR. V/Line, the Victorian freight railway, also introduced a service to Adelaide, having previously introduced contract bus services into Adelaide, though these were not strictly in competition with the overnight train between Melbourne and Adelaide.

The principal driving force behind the changes during this period were the recommendations made in the Hilmer Report, combined with the willingness of the Commonwealth Government to encourage open competition on rail infrastructure.

Privatisation

John Brew, the former head of the New South Wales State Rail Authority, was commissioned by the Commonwealth Government on 15 April 1996 to review the performance of AN and its relationship to NR. Mr Brew examined the performance of AN and NR as commercial entities, the financial state of AN [including its financial relationship to NR], the future prospects for AN and the range of options for the future of the services AN provided, including contracting out or sale of all or any parts of the business.

The main findings of the Brew Report [Brew, 1996] concerned revenue losses, high costs, a massive \$864m debt, declining requirements for AN's three workshops and excess equipment and staffing. Most importantly, Mr Brew pointed out that the 1993 decision to transfer interstate freight, which had been 60% of AN's revenue, to NR was the main factor in AN's unprofitability - he stated that the transfer "made it impossible for AN to operate profitably. In effect it has been death by a thousand cuts"

In effect, the Brew recommendations formed the agenda that was to drive rail reform in South Australia for the next two years. Brew's recommendations and subsequent actions relating to those were:

Recommendation 1

Establishment of a national track authority, building upon AN's Track Access Unit.
The Australian Rail Track Corporation was established in 1998

Recommendation 2.

Renegotiation of the NR Shareholders Agreement, the removal of subsidies, the sale of surplus NR assets, and reorganisation of NR's capital structure

This process was still underway in 1998 and can be expected to result in privatisation of all or part of NR.

Recommendation 3.

Disposal of the branch lines in South Australia or closure.

The Commonwealth Office of Asset Sales sold the rest of the South Australian intrastate assets to a consortium trading as Australian Southern Railway [ASR], which includes Clyde Engineering, Transfield and the US shortline operator Genesee and Wyoming. The price for the total South Australian package was \$57.4m. The Leigh Creek to Port Augusta rail line was transferred to the South Australian Government's Optima Energy [the recently formed corporation to run the former Electricity Trust's generating activities] which has contracted ASR to run the coal trains.

Recommendation 4.

A similar process for the Tasmanian lines.

The Commonwealth Government sold the Tasmanian network for \$22m to Australian Transport Network, a consortium which includes Wisconsin Central and Tranz Rail.

Recommendation 5.

Close the infrastructure and track maintenance businesses and outsource the work.

This was done and the contracts transferred to the Australian Rail Track Corporation, ASR [the Transfield partner] and Optima as appropriate.

Recommendation 6.

Close down the Islington and Port Augusta workshops or transfer them to the State Government.

In the event both were sold to ASR, which closed Islington immediately.

Recommendations 7 and 8.

Establish Dry Creek as a rolling stock and maintenance facility.

Dry Creek was sold as part of the South Australian rail business and is operated by Clyde Engineering through its Ready Power business.

Recommendation 9.

Establish a separate passenger business and invite private sector involvement.

The successful bidder for the operation of the Overland, Indian Pacific and Ghan passenger services was Great Southern Railway [GSR], a consortium of GB Rail, Macquarie Bank and SERCO, which bid \$16m for a \$45m revenue business, but one requiring continuing subsidy from the Commonwealth.

Other recommendations were essentially procedural, such as closing down AN and negotiating with governments. While the Brew Report received a hostile reception in South Australia, its findings and recommendations were clear and the implementation of

the courses of action were fast and effective. Again the decisions were taken by a government remote from the local reaction and implemented by an office unimpeded by history or interaction with transport policy or plans.

Curiously at a time when the effectively bankrupt South Australian railway system was being pushed into private ownership, the South Australian and Northern Territory Governments mounted a campaign for Commonwealth Government funding to extend the Iarcoola to Alice Springs line northwards to Darwin. While the South Australian and Northern Territory continued to provide the impetus for the project, the ongoing saga was complicated by the emergence of a rail project linking Victoria with Queensland and extending north-west towards Darwin. The proponents of this alternative route to Darwin claim that a high-speed high-capacity railway can be constructed without any recourse to government funds. Much of the promotional disputes surrounding both rail lines has polarised into "one or the other" of the two, rather than a serious analysis of the merits of one, both or neither. While the projects are both touted as private sector activities, the likelihood of either producing returns without subsidies seems unlikely. The network effects also need more consideration, for example, considerable investment in improving the Adelaide-Melbourne rail line will be required if the Alice Springs to Darwin route is to be integrated into the national system. The Commonwealth Government has given but token funding to the Alice Springs-Darwin project.

The driving forces during this period of rail reform in South Australia were the acute and intractable financial position of AN which had been stripped of most of its traffic by the formation of NR, but left with most of the [now unproductive] assets and liabilities, a new Liberal Government with a strong private sector leaning, and the new AN Commission Chairman and Members who recognised that the existing arrangements were unsustainable.

The Adelaide Suburban Network

In the 20 years since the country lines passed to AN, the changes in the metropolitan network have been much less dramatic. Most of the changes involve infrastructure, with the redevelopment of Adelaide Station, closure of five short branches [Semaphore, Penfield, GMH, Hendon and Northfield], removal of the interstate trains to AN's own passenger terminal facility at Keswick, resignalling the suburban network and replacing the railcar fleet with modern diesel electric single and twin car units.

The objective of separating the metropolitan trains from the long distance services has been largely achieved [Scrafton, 1978] mainly as a result of the standardisation of the main lines to the north and south while the suburban network remains broad gauge. To the north a new standard gauge track was constructed, to the west of the metropolitan tracks, for use by AN trains, while to the south one of two tracks to Belair was standardised for use by AN/NR services. The passenger service from Belair to Bridgewater, a very costly and anti-directional operation, ceased in July 1987; the individual and community objections to the line's closure were followed by an evaluation

of the service by the federal Bureau of Transport Economics [Bureau of Transport Economics, 1987] which demonstrated the highly unprofitable nature of the line, and despite prolonged public agitation, the service was never reinstated. However, the public furor ensured the retention of services to Belair, which remains financially the worst performing of TransAdelaide's remaining services - closure of three stations on the line to permit operation on a single track after standardisation caused a similar public outcry, despite the existence of parallel bus services nearby.

The only remaining conflicts between long distance [ASR, GSR, NR and other operators' trains] and those of TransAdelaide [the successor to the STA] are for broad gauge freight trains from the mid-north and Barossa Valley, a few freight services on the Noarlunga line to the south, operation by freight and passenger trains on the remaining mixed gauge tracks, and a small number of urban at-grade crossovers.

Although the continued subsidy of metropolitan passenger services by the State Government has proved a costly operation, the long term benefit is in the ownership of the corridors, as distinct from the railway, for future use by urban mass transit, irrespective of the technology which might be adopted.

In general the existence of multiple rail carriers in the metropolitan area has not been difficult to initiate or administer. There have been differences of opinion requiring resolution, including staffing matters, and running rights and their costs. The existence of TransAdelaide created an additional complication to the resolution of transitional arrangements from AN at the time of NR's establishment and the changes on the south line due to standardisation.

Other than its metropolitan operations, the State Government's other residual responsibilities relating to railways are the administration of rail safety, disposal of land released to the State when "no longer required for railway purposes" under the terms of the Railway Transfer Act, and continuing financial and other issues relating to tourist railways. In September 1994 it was estimated, for example, that some \$3m in cash or kind had been expended by the State Government in support of just one tourist railway, with ongoing financial commitments to operate level crossings and the potential for funding other major engineering works, for example, the replacement of bridges.

Despite the analytical work undertaken by the Transport Policy Unit and other agencies, and the low levels of patronage where the heavy rail network in essence carries but bus loads of passengers, the State Government remains committed to a continuation of the existing urban passenger rail services. At present there does not appear to be the same driving forces for change that has seen the major reforms in the non-urban network.

Conclusions

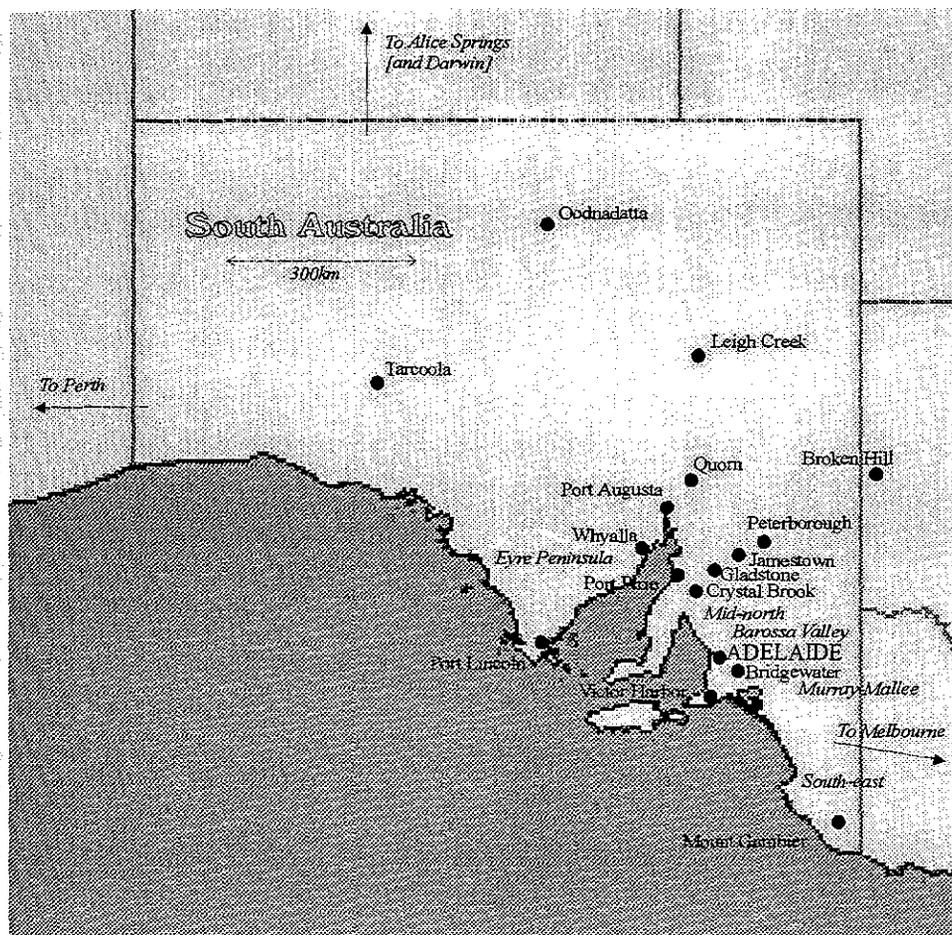
- As stated eloquently by Gunn, "the railways have [always] been the centre of a stormy debate. It has been a political debate and its main theme has been this: should the railways operate like every honest commercial return and earn some

return on the capital investment in them, or should the State treat them as public works necessary for the proper workings of industry and commerce, essential to the provision of ordered and acceptable daily life for the State's inhabitants" [Gunn, 1989]. With the exception of the advocacy for the Alice Springs to Darwin Railway by the South Australian and Northern Territory Governments, the clear evidence in South Australia is that railways are no longer seen as a tool of economic development and should thus be required to operate efficiently and profitably.

- It has been a constant and protracted struggle to reform the State's railways. However, the evidence strongly indicates that more progress has been made than if the rail system had stayed entirely within State ownership
- Many Parliamentary Commissions and other reports, for example those by Lees, Brew and others, supported by specific studies, for example by Lynch and the BICE, provided the analytical and factual basis upon which reform was based
- There is little doubt that the reform process will continue. The next step will be the sale of NR, followed by the restructuring of interstate and metropolitan passenger services.
- From the evidence, the authors of this paper are of the opinion that reform is more likely to occur under the following conditions:
 - Strong decision making by a government, usually by governments with a reform agenda and in the earlier years of office
 - Factual analysis of the issues besetting the railway system.
 - Capable and professional management
 - Significant fiscal constraints

When all these occur simultaneously, the prospects for reform are high

The voluminous number of Parliamentary investigations and other reports culminating in the Brew Review have prompted a whole series of changes, ranging from the Government's purchase of the privately owned railways in the last century, the reforms introduced by Railway Commissioner Webb in the 1920s, the sale of the non-metropolitan rail system to the Commonwealth Government, and the sale of the State's rail system to the private sector. We are however of the opinion that there may be a more fundamental problem facing the rail sector in South Australia. Ever since the first horse pulled train lurched along the first railway in South Australia [which was also the first railway in Australia] between Goolwa and Port Elliott, the railway system has stumbled from one financial crisis to another. Whether the latest series of reforms will alter this remains to be seen



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