



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

**Reference: Integration of regional rail and road freight transport and their
interface with ports**

(Private Briefing)

WEDNESDAY, 19 SEPTEMBER 2007

CANBERRA

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 19 September 2007

Members: Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Ms Bird, Mr Gibbons, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur and Mr Neville

Terms of reference for the inquiry:

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
 - land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

WITNESSES

**MERCHANT, Mr David William, Chief Executive Officer, Australian Rail Track Corporation
Ltd 1**

O'ROURKE, Mr Vince, Private capacity 1

Committee met at 9.33 am**MARCHANT, Mr David William, Chief Executive Officer, Australian Rail Track Corporation Ltd****O'ROURKE, Mr Vince, Private capacity**

CHAIR (Mr Neville)—I welcome Mr Marchant and Mr O'Rourke, two of Australia's leading rail personalities and people with whom the committee has engaged on a number of occasions and whose advice we deeply value. We thought it might be appropriate for our last meeting to do a bit of a round-up of our report and ask you what you felt about the report. We found out things in that report. Perhaps to the two of you they were not all that earth shattering, but I think in terms of the public there were a couple of things that came through very clearly—well, three or four things.

The pivotal role of Melbourne in the Australian transport system came home loud and clear—that if Melbourne is not going to function properly then all the spines that flow off Melbourne and the north-south corridor, and to some extent the east-west corridor, are going to be affected. We have gone past Panamax vessels to Cape vessels, and they are talking about another category beyond that. If the Port of Melbourne cannot take those vessels, there is going to be an impediment. The cost of shifting the Port of Melbourne to Western Port or somewhere like that would be absolutely astronomical. That was one thing that came out. There is possibly a role for some lines that have not fallen into disrepair to be rejuvenated, particularly from Mount Gambier and Penola to Portland.

The other thing that came out was that we had all anticipated that intermodal hubs would have a role in places like Shepparton, Parkes, Moree and Toowoomba perhaps, but we found quite the contrary. We found that the pressure is in the basins of Sydney, Melbourne and Brisbane—Brisbane to a lesser extent, I suppose. That was an eye-opener for us.

We noted that the branch lines are a continuing problem and of course, with every year we neglect them—and I am not suggesting the ARTC is in any way responsible for this or necessarily should be responsible in the future—their role is getting sadder and sadder. We felt the Alberta model was one worth really having a good look at. Mr Zsombor certainly gave us some alternative views of what you can do with branch lines.

Finally and most importantly, there is the issue of access to the ports. Access to the ports and the functionality of the ports are in a parlous state. We say \$3 billion—about \$1½ billion from the states and \$1½ billion from the Commonwealth—or \$600 million a year for five years could correct that. We found the magic figure; it is an average. I remember two or three of us were talking one day after a hearing and we said, 'The figure that each port needs is about \$70 million'—some more, some less, but that seemed to be the sort of magic figure that was required. Some of that came back to rail, particularly in Queensland and in Melbourne—Queensland in general and, in Melbourne, access to the Port of Melbourne. There are a number of corridors there, and the double stacking and the Dynon problems and so on.

So we thought we thought we would ask you to come in and comment on the report and perhaps some of those issues and then give us the general flavour of where you think rail in Australia is going and where we could take it.

We realise that people like you, especially you, Mr Marchant, are constrained because you have to operate within budgets and policy parameters. But if we can shoot the breeze a little bit today we can be the stalking horse for people like you in the parliament in trying to create a greater focus on rail. Equally, we do not want to put up propositions that are ludicrous; a steadying hand and a bit of advice at times is not a bad thing for committees like this. Who would like to lead off?

Mr O'Rourke—I will, thanks.

CHAIR—If you would like to give us a few words and then we will go on to questions. By the way, with your concurrence, we have asked Hansard to take this—not for any particular purpose, just because we think your words are worth—

Mr McARTHUR—It is beautiful stuff; we do not want to lose it.

CHAIR—We would not want to lose the champs! You've got no objection to that?

Mr Marchant—No.

Mr O'Rourke—No. Chair, thank you for the invitation to join the committee today. I would like also to endorse your remarks about the report. I think it is an excellent report. It is a very good critical analysis of all the issues across the transport network across the nation, especially a lot of the issues on the east coast, which I think are very short-term, critical issues that need be addressed.

I recall your earlier report, *Tracking Australia*, from 1998. I was running Queensland Rail at the time, and I remember—and it is written in the report—that you pretty much issued a challenge to the rail industry to get its act together. Whilst still involved in the rail industry, I am not a CEO of an organisation. I look back and I think the rail industry is getting its act together very rapidly. There are a lot of significant changes that have occurred over the last 10 or 15 years. I will not go into those except to say the institutional framework has changed dramatically: commercialisation, focus, privatisation—the whole institutional arrangements of railways have changed in this country and for the better. We are seeing good work from agencies such as the Australasian Railway Association who are talking with governments and bringing together the chief executives of the organisations; they are streamlining access arrangements, creating new regulatory frameworks and have new safety regulations coming into place—all of those are very positive steps to the future.

I am a great believer that the industry has had a significant change in thinking over the last 10 years. You have an opportunity now to take this industry forward in some large steps. There is a bright group of young, dynamic chief executives who work together and who understand where the industry is and where it should be going. But the point that I was making in my earlier discussions with the committee is that the whole marketplace has changed. We are in a global scene in this nation. It is not like it was 10 or 15 years ago. The competition is global and our

railway industry can play a significant part in making this country much more competitive. I think there are some good building blocks in place to say that is happening.

Going to your report, the theme running through that is that we are still in catch-up mode. There is some great work being done in organisations like ARTC and Queensland Rail and others, but at the end of the day we are all trying to patch, and fix up a lot of issues that have been with us for many years. We are not doing a bad job in getting to that, but we now need to start to think about how we go forward into the future.

The other theme that is running through here for me is a critical issue for industry and government agencies—that is, the whole issue of collaboration, cooperation and integration. My view of the world today is that if you are not in a supply chain situation of collaborating, coordinating, working with different parties, then you are stagnant; you are not going to go anywhere. There are elements of that, and I think you brought that out very strongly in your report.

Now this is not just at the industry level; it is also at the government level. The issues that were brought out in terms of local, state and federal governments say to me that we are desperate for some sort of greater framework than we have now. We have the National Transport Commission and AusLink in place—great breakthroughs, good planning frameworks for the future. As I said, ARTC is now doing some significant work, along with the other agencies. But it is all being done in an uncoordinated framework. You have got work happening at the different ports within the states but not in some big global picture. My view is that there needs to be a much more coordinated focus on framework going into the future. I think that is an issue for governments and the private sector.

I read your report with a lot of interest in terms of the infrastructure fund and the border issues, and I pretty much agree with that. You need to address those sorts of issues. One of the things that I liked about this report is that it is action oriented. It is all about execution. I think we have just about planned ourselves to death. I cannot remember how many reports there have been—I go back a bit further than David, but going back there was the *Planning not patching* report and there was *Tracking Australia*. There were also ones from the private sector—*Building for the job*, and *Revitalisation of rail*. We were all involved in that, but all of a sudden we are starting to get some focus on these issues and it is time to deal with them and execute them. I think that is the way forward and we need some sort of framework in which to do that.

I was very much involved in skills development for QR, and it is a national issue that Australasian railways are addressing quite aggressively. I was on the board of ANTA, the Australian National Training Authority. To my mind, you could have a model where you bring in the Commonwealth and the state and now, of course, the private sector into some sort of collegiate role whereby you put a framework in place, put some good people in—CEOs—that can drive these issues all the way through. I think it is nonsense to think that the Commonwealth government can do this alone. We are a federation. The states will give execution to a lot of these things but they need to be driven by some organisation that can get some sense out of it and bring it all together in a broader, wider framework.

The issue you raised in the report about branch lines is a sad story in the sense that, in the rush to privatisation and commercialisation of the rail industry nationally, we left certain parts of the

industry foundering, and, obviously, the branch lines are a good example of that. If you look at the privatisation of the whole above and below rail track—and Victoria was a classic example—it was not in the commercial interests of the owners to do much about rehabilitating those branch lines, and essentially they have fallen to pieces. It is not only in Victoria; it is also in South Australia and bits of New South Wales—though, in fairness, I think New South Wales have upgraded some of their grain lines and have not done a bad job. In Queensland there is a seven-year agreement between the government, QR and Queensland Transport. In that, they need to allocate funds—and certain funds are allocated—to a continual program of upgrading their country branch lines to keep them in reasonable shape. I think the model that was mentioned by Mr Zsombor has got a lot going for it. I suspect that the current inquiry in Victoria chaired by Tim Fischer will research this issue quite deeply and bring forward some specific recommendations in that area.

There is a lot to be said for the rehabilitation of branch lines but, again, that is going to be a government issue—both state and federal governments. But maybe the sort of private sector type involvement with local councils has got a lot going for it, as was suggested in the report. Quite frankly, part of the issue with the grains industry is not just the condition of track; there is not much operating equipment to go on top of it. A lot of it has been reallocated into other industries, and you will probably find, especially in Victoria's case, there is not much in the way of a grain fleet that could respond to a heavy demand. One suggestion is the Canadian model—there were strategies in place to bring track up to certain standards. You do not have to have it to a standard to run XPTs; we are talking about fit for purpose type standards here. There could be an argument for some body to re-equip with a fleet of wagons that could look after the harvest. There are a number of smaller private operators that would provide hook and pull services and there is a model that could be developed, but it has got to be within the framework we talked about. A strategy could be built to rehabilitate and give good strategic focus to the grain industry going forward in this country because it is in a parlous state at the moment.

I could not agree more, Chair, on the issues you raised about Melbourne. It is a pivotal part of the whole rail industry network. Forty per cent of Australia's containers come through the Port of Melbourne and radiate across the nation to the east and north. Again, this could be dealt with by some authority as a much broader issue that focused on the whole national distribution of intermodal freight in this country. I was not surprised at all, quite frankly, with the report's focus on intermodal hubs, especially in the Sydney region, which I have a reasonable idea about. When I was running freight in New South Wales, Enfield was a terminal that we were desperate to run. I have been in Queensland for something like 20 years, so it goes back a lot longer than that and we are still talking about Enfield as a major intermodal terminal. That should have happened many years ago. A lot of the issues about intermodal terminals have been talked about and planned. Railway people have talked about terminals around Minto and those areas out west for years.

It is only with ARTC's 60-year lease of the New South Wales system that we are seeing some good things starting to happen. Not only is there the \$2 billion track upgrade David is doing from Melbourne right through to Brisbane—which is really good stuff with some good innovative and creative thinking—but also the Sydney southern line and access to the ports will have a significant impact on intermodal distribution of freight in this country in that part of the world. The issue is access to the ports. We have all seen the 50 ships off the ports in recent times. I could not agree more that there needs to be a coordinated approach with state and federal

governments having a say to get a better result. In fairness, there are a lot of projects in the pipeline now that will certainly change that situation not too far out, including the major expansion work that ARTC is doing in Newcastle and with the new players in the Port of Newcastle. In Queensland there is significant investment to upgrade Dalrymple Bay and Gladstone, which you are obviously aware of. There is also a greater focus now on the coal chain in Queensland.

To summarise, Chair, I would like to compliment you and Tas and his team for what I think is a great report. I share the words of Stuart: it will be a benchmark report. It is somewhere to move on from. As a guy who has been involved in this industry for many years, I would like to see that we now get on and do the job. That was the point that I was making in my last submission. I have been the chair of the Rail Cooperative Research Centre for six years after leaving QR. The road industry is maturing. I have had the good fortune to also be on the board of a significant road organisation which is now moving into rail. Right across the industry we are seeing vertical integration between the ports, the trucking industry and the railway industry and the big players know that this is the way to go. We are competing in global markets. It is no longer New South Wales, Victoria and Queensland competing with one another. That went a long time back. We are competing with players in China, India and the other emerging countries as well as right across Europe. We need modern, progressive and innovative infrastructure networks in this country.

Again, I get back to the message that we do not have to go back and do what we have done in the old days. There is no need to patch up railways that were designed for another task. Most of the railways built in this country were to take products from the rural centres to our ports for export when Australia was very much a rural focused nation. Certainly in terms of our general bulk freight and our interface on a global scene, we need to have breakthrough type rail systems, integrated systems, in this country. I made my point about the Melbourne-Brisbane railway line. I notice that the other day Paul Little made a comment to some US investors. He said he thought that was probably the most important infrastructure program facing the nation at the moment. My view of that is that it will change the economics on the east coast of Australia and will fully integrate our ports, rail and road systems and make us a much more competitive nation in the future.

CHAIR—Mr Marchant, thank you for your contributions to the committee during the last term as well.

Mr Marchant—You are welcome. I always enjoy coming to the committee; it gives me time to reflect on longer term strategies. In my day-to-day job I sometimes get caught up with the battles rather than the overall war. I want to do two things: I want to comment on the report but I also want to comment on my observations, having read the report, and reflect on where I think it takes logistics industries forward. I will reflect a little bit on the change between the Australian government and the states that has taken place over the last 20-odd years and maybe we have not realised the degree of the change that has taken place.

The things I want to comment on are mentioned throughout the report, but I have brought them together in a different way. I want to deal with strategy in its overall sense—and I mean strategy not just in rail, but also strategy for transport, road, rail and sea. I also want to discuss the thing I have called structural imperfections, which is a polite way of saying things we need to improve on, and I will touch of that in a second. There is the land use issue. The committee very

excellently went through the long-term land use planning and reservation issues, which are going to become horrific unless governments collaboratively work on that in the near future. The biggest growth area in Brisbane is going to suffer from a huge range of problems that come from cities growing very fast and a lot of work needs to start soon and not in 20 years time to deal with land use reservations and the rest. And there is the regulatory process and the market framework. Each of those comes through in the report, but they come through within the various elements of the modes.

Before I comment on the report details, I have a few things to discuss that the report made me think about in a broader sense, if that is all right. I see it as a pivotal report that deals with some critical issues and decisions that need to be made on individual projects and ports, and there are a lot of very good recommendations about incentives to invest et cetera. But it also made me reflect on where we are going and what collective policy governments, private sector and operators need to look at.

On the strategy one, the report made it clear that coordination, collaboration and leadership are required to bring national logistics together; it is no longer an issue of individual states, individual local governments or individual ports. We effectively need to collaborate on a broad Australian economic basis with regard to our infrastructure, whether it be rail, road or sea. In fact, there are very interesting reflections on some of the sea issues. It made me wonder: what has changed in the marketplace in the last 25 years. I will come back to this later, but the changes in the transport marketplace in 25 years have been dramatic, and part of it has been imbalanced—that is, we have done a hell of a lot on road and a hell of a lot about road regulation, but we are now realising our sea have missed out on a range of reforms and rail is desperately trying to catch up. This is not a 10-year thing; this is a 25-year exercise. Some of it has been brought about by our structural imperfections between levels of government. It is not a blame thing; it is about reflecting on where to go.

On the coordination and collaboration in leadership, one of the great things of the last few years has been the element of AusLink—that is, attempting to bring together the elements of land transport infrastructure. I say ‘land transport’, but I am also going to reflect on sea transport in a second as I mean transport in its broader sense. AusLink was a nice catalyst and start to get a collaborative framework where the Australian government deals with some of the asymmetrical issues of financing, but also planning. You had some corridor studies that were being done by the states and the Commonwealth in each of the major corridors. That is a great start, but there are a few things about the strategy that need to be advanced further. One is that the states tend to be little bit concerned about AusLink in the sense that they see it as some way of redistributing their money because they now have to contribute to things where previously they said they did not. Put that to one side for a second. What that meant was that, when it comes down to corridor strategies and the rest, there tends to be a little bit of resistance with regard to getting into a holistic planning framework because there is a tension between the levels of government and who is going to play who off in the fiscal sense, all of which you would expect from a new program. Effectively, people like the newness but they just do not like the terms that go with it.

Effectively, in the next parliamentary term you would think that that is down bedded to go to the next level—that is, the need to lower the resistance between the state and the federal authorities to start to be collaborative. I think your comments with regard to data sharing go to a very good example. On the data available on transport planning, the stuff coming from BTRE is

excellent if you like to read history. The difficulty with land transport planning is that you actually have to read the future. History will give you a little bit of insight, but effectively it might prove to you that a number of structural things went wrong in the past, that they are continuing and that you need to adjust them. The future is about adjusting them. The data stuff that you recommended in the report and the need to start to get reliable information on what is going on is absolutely critical. That needs to be done in a collaborative way; it is absolutely critical. But it does not have to be only about rail. It is critical that it be about roads and ports too.

The Commonwealth has moved in the last 15 to 20 years away from contributing to finance to being a very collaborative player on the strategy. Previously it would throw in a bit of road funding et cetera and get involved. There was a bit of influence 15 or 16 years ago over which roads it went into but the funding was more of a topping up of the state road authorities. Now, 15 years later, it is much more involved in how the road funding contributes to the overall infrastructure of the nation and how it relates to the rail proposal or the port proposal. One change is that the collaboration needs to be more advanced. The Commonwealth government needs to get involved in a collaborative sense, not a confrontational sense, with the Australian states—it is not about partisan things; it is about making the federation work—to get not only good data but a very good method of doing comparative analysis between options.

At the moment, doing a comparative analysis between a road project on one corridor, a rail project on another corridor and a mixture of both or in fact road projects within corridors requires very good analysis, very good thinking and very good planning. You need to have the resources to do the analysis, the planning and the framework. I think in the next round that the Commonwealth department of transport and others need to be bolstered with regard to getting into the intelligence side rather than just the funding side. The funding side is absolutely critical, but we need to move our intelligence forward. I do not mean that in the sense of a national transport authority, where the Commonwealth rides with the states. I will explain why. Financing road, rail and port projects is excellent, but one difficulty is that it has to fit within an overall land use planning framework, which is a state authority concern. It has to fit through an environmental planning process, which is a state responsibility with some Commonwealth involvement. There is a bit of duplication there. I will give you some stories in a second about that duplication. It in fact produces only greater conflict rather than greater resolution. Effectively, all the elements of the national strategy for infrastructure and the localised strategies must meet and mould together.

I think the corridor strategies are a good example of the first stage. But the corridor strategies were a very large gladbag of possible promises. We have already seen in the AusLink 2 strategy the bids from each of the states coming in very high—excluding ARTC's, which was very humble! I think Queensland's bid was \$33 billion on a \$22 billion program and Victoria's bid was \$11 billion out of \$22 billion. The point I am trying to make is this: how do you prioritise these things? How do you actually put them into a context of what is the best thing to do, recognising that a state politician and a federal politician both need to be involved? They cannot have a whole range of smart plan bureaucrats determining these things, because governments have to weigh up economic and social issues as well as other priorities. My point is that the strategy needs to be more than just financing and it needs to be more than just the Commonwealth telling the states. It needs to start to embolden into a more cohesive collaborative framework using common data sets and common frameworks et cetera. I think the

report helped demonstrate that. It showed a huge range of demands and issues but found difficulty in getting into the collaborative framework of what priorities go with what and in what staging. Also, which comes in the first five years and which comes in the second five years? Which should the private sector think about investing in, knowing it will join in with another strategy? It is not just about government funding. The next stage is that the strategy should help promote private sector funding as well in a collaborative framework.

I thought the very interesting thing was on strategy in the broader sense—the need for coordination, collaboration and real leadership. I mean leadership not in the sense of demanding things but joining people together in a common cause to look at building their state, their local government area et cetera. Many of the issues you raised in your report about local government showed desperately that they want to be involved in cohesive planning—they would all like their shire to be first—but they want someone to recognise there are trade-offs in not doing anything. If the rail does not work, the roads are going to suffer. How are they going to fit in?

I read an excellent submission from Botany council saying it was the end of the world at Botany. I expect there might be some political reasons for that but, ignoring that, it is an appeal to say: what is going to happen in the long term when the Sydney port actually has three times the amount of TEUs and everybody says, 'Use rail'? The pricing system for rail does not work because, effectively, the way the pricing system between road and rail to Botany is, it is cheaper to go by truck even with the delays because the institutional costs of rail on short journeys are too expensive. That is why structure, strategy and form are becoming bigger issues for the next 20 years. I thought the report drew some of those issues out. I am looking at it as someone who has read it and reflected on it. Many of the issues in it are individual issues I am aware of, but where do we go from here?

The first thing is strategy. The second one is structural imperfections—again, that is my nice term for things that you politicians call much more bluntly. We have imperfections with regard to state borders. The report picked up very well the issue of cross-border investment, because they get to an institutional constraint: on one side of the border it is worth an MPV of 10 and, on the other side of the border, who cares? But the reality is the nation is better off if we have it—Albury-Wodonga is a bit of an example of that. There are some very good examples on the Queensland border with regard to what could be a rational passenger system going from Queensland into northern New South Wales and north. But if you are in the New South Wales framework, why would we care? It is only a few hundred kilometres into New South Wales and, even though it is rational to connect it to the metro passenger system from Queensland, we tend to be more worried about the Casino-Murwillumbah line, which would never work, rather than getting the urban issues of northern New South Wales connected up to a closer conduit into Brisbane and the Central Coast.

The report picked up those sorts of structural imperfections really well, but there are also the structural imperfections in the asymmetrical framework of funding, land-use planning and decision making—state issues—and local government issues of trade-offs when one system does not work. We need strong leadership and a strategy framework to help rebalance some of the structural imperfections that come from the system we have. We can never resolve them but we can try to rebalance them. The blend of funding and responsibility is clearly not in alignment with the submissions you have read and reflected on with regard to local government. Even the debate about whether there should be an intermodal terminal at Kalgoorlie is a fine example of

where one side of the equation says that there is no need for it; the other side of the equation says, 'We need it because we are going to get economic development and we need to flow through on it.' There are issues of blending the strategy and the financing. I am talking here about financing not being 100 per cent government financing; I am talking about blending to promote movements forward. Governments need to think seriously about not getting 100 per cent financing, because they take away the stake of the other people to make it work. Having said that from a rail perspective, the next thing I am going to do is ask you for money.

The modal changes in the last 25 years are interesting to reflect on. The pressures in this report tend to show it. Port and sea feel lost. The seafarers are saying, 'We're economically rational for a whole range of long-distance exercises, but nobody cares for us'—again, a structural sort of framework. I am not getting into cabotage and those things; I am talking in a transport sense. Rail feels terribly unloved in a non-urban sense. It feels the states have concentrated on the urban passenger system and left the rest to die, and there may be some evidence to support that, except in Queensland. It is blamed on privatisation when in fact it was economically structurally unviable to be fully funded by their users, and therefore even with privatisation it needed a blending of support. The report ducks around that nicely, and I can understand that but, in the end, sometimes it is not about underlying CSOs or ongoing recurrent funding; in some cases it is about one-off capital injections. Again, there should be a need to blend that.

It is easy for the Victorian government to blame the privatisation of the country lines in Victoria for the collapse. The reality is they were a dog when they put them out and they were never going to pick up. They needed an injection to lift them up. Everybody wants to blame each other for those sorts of structural imperfections, and the reality is we need to see them as imperfections and start to work around planning going forward.

On the cross-jurisdictional issues: the issue of long-term strategies has been that road funding and road planning have been done on this arm while rail planning has been done on a number of arms. That has meant state when metro, state if it is convenient when non-metro and nationally the One Nation program invested in standard gauging in some areas and then it dropped off for a while and the ARTC picked it up. But that is in a perfect environment. Effectively, Alberta shows you one thing. We have been trying in a number of locations to look at putting some of the branch lines out. We do not have any branch lines. We manage some in New South Wales for the state but we are the supplier with no commercial interest. We lease the main lines. Our interest is that we have to maintain some of those branch lines as if they are our main line. It is absolutely insane. It is totally uneconomic. In one case we looked at getting the local council involved, them taking up the line, and giving them some assistance to do that. They were scared of doing that. They could have done it under AusLink, under the Roads to Recovery program, which does enable you to fund rail, but they were worried about being left with a dog. The Alberta model requires that we look differently at the way regulators regulate safety and framework, all of which are state issues. We cannot convince the regulator in New South Wales to look at the branch lines with a totally different mindset. One way may be having someone like us taking them over and subleasing them out—getting the risk out of the way—but the reality is that we need to change our structural thinking with regard to the categories of markets. The rules for a branch line should be very different from an intermodal main line and very different from a metro line. But our regulatory environment is still stuck into a homogenic framework. That is a state issue, but it is an issue that we need to address if we are going to go forward.

The committee has touched on the roles of local government and of each of the levels of government. Again, it is part of my view of the structural imperfections that we need to get some alignment and some recognition of cost shifts and a method of how to deal with that in a rational way. Everybody is going to ask for more money. You guys are used to that. Nobody who walks into Canberra does not want to walk out with a cheque. But it is about how that cheque is distributed.

The pricing and valuing issues need to be recognised in structural imperfections. One of the real problems for rail—and I say this for rail but I could say it if I were talking about ships too—is the pricing of the rail freight business against the pricing of the road freight business. The road freight business does not pay anywhere near the same prices. It is an imperfection. It needs to be rebalanced. My rebalancing is not to say, ‘Quickly change the road pricings.’ If you are going to deal with structural imperfections and strategy and get into a method of doing comparative analysis, you can then calculate what is the economic interest as distinct from the commercial interest and balance the economic and social interest against the driving commercial bottom line issues to get a better structural outcome. You cannot do that without having an intelligent system that enables you to do those comparisons. My structural imperfections come through in the report, and I am trying to suggest a phase of moving forward from that that recognises those things need to be singled out in a smart, intelligent way, as adjusting to pricing over time will do.

I think the report touched excellently on land use, planning, reservation and protection. One great problem has been that, because we have looked at roads, rail and sea as totally different models, we have not looked at coherent land use planning. In fact many land corridors could be used for both road and rail, and rationally done so, especially in urban areas where they are completely inconsistent. You run into a rail line then a road line et cetera. In the longer term, if we can actually get our transport planners collaboratively working with state land use planners and start to get a long-term forward planning framework 20 years from now we will probably be much better off and 30 years from now we will definitely be much better off. The report again drags it out. But it is not just a transport issue. That is why the report, in suggesting COAG needs to look at some of these things in a broader sense, is actually critical. Effectively, all you are going to do in the longer term is pay enormous prices to overcome that lack of planning as you reserve and take back a huge range of properties to overcome massive congestion that the voters will kill you for later; therefore you will do it. The reality is that it will cost you a fortune, a fortune you could have prevented paying. As well, there will be all of the people you just moved who are going to be very upset with you. The land use planning issue is critical. I do not mean necessarily buying the land but I do mean getting the zoning, the reservations and the protection of that encroachment. You have some good evidence in there of one location. I think Patrick’s raised the issue of the terminal at Macarthur. It had for 25 years been in land use as a terminal. But, when they came to develop it, housing development had gone right up to the boundary and the planning minister was concerned about the noise et cetera. Housing should never have gone up to the boundary. I am not saying we can undo any of that. I am trying to reflect that my personal view is the land use issue and the strategies around that are by far the most pivotal points for a long-term outcome from this report, because it is the one that will outlast you and I but will keep the next generation much more sane and sensible moving forward.

With respect to the regulatory process, again you have touched on it. The Alberta model actually reflects it. We need to get a clearer, cleaner and cohesive non-conflicting model between the state and federal governments on land use and transport. We have national rail sector

legislation being put through the states. In most cases, it is consistent. It would be good if it were all consistent. They are just putting out their draft regulations and in most cases they are consistent. We operate basically in every part of the country except Tasmania although we were involved in Tasmania in negotiating between the PM and the state government for the arrangements there. All that is nice, except the regulators who are now administering it actually interpret it differently in each state. So effectively, although there is cohesive legislation, the culture has not moved with it.

Environmental planning is another good example. We are about to develop the southern Sydney freight line. We have gone through an interesting 14 months in getting that up. We have gone through a beautiful EIS process in New South Wales and I must say New South Wales went out of their way to make it a very good process. The state really does see it as a high priority and they went out of their way to make sure the process was nice, clean and smooth. We are now going through a separate process with the Commonwealth department of environment. Nothing new has come up. They are reading the same submissions, but I am going through another process there. It is not achieving anything. That is not holding up the southern Sydney freight line because we have yet to sign a development agreement with Railcorp in using some of their framework which is coming to a conclusion soon. But I am using that as an example of getting cohesiveness.

You did a fine example on Melbourne ports. There were some very big social issues in Melbourne ports but, in the end, the environmental assessment process is done when it is done. The social issues have to be addressed by government. They have the evidence; they now need to move forward. I do not think there is a political issue there on either side. But the reality is that there is a need to have clarity of decision making in regulatory processes on large infrastructure developments. Melbourne ports demonstrates that, but I can give you tonnes of examples throughout Australia. Sandgate is in the middle of a wetland; it had to be done. It went through a very clean environmental process et cetera but in other locations you get a duplication of environmental processes for no gain. They could have been done simultaneously. In the rail safety regulatory process it is getting duplicated again when it should not be. In the land use process, you have constant conflict. So the regulatory processes need to be cohesive as well. Some of the issues there are not just about rail or road regulation, they are about environment and land use regulatory frameworks and the comparative issues through that.

My last point is about the market. This demonstrates the market will react well with good guidance, a good strategy and coherent forward plans, enabling processes and the government being able to balance the difference between the commercial imperatives—those things that the private sector and others could pay for against the economic analysis. There is confusion sometimes between economic viability and commercial viability. The difference is a trade-off between the good of our economy and what an entrepreneur or a person with private finance can do.

In our case, we are very fortunate the Australian government has contributed \$880 million to our \$2.4 billion program. But it is \$2.4 billion and the government's contribution is \$880 million. We are financing the rest from loans, borrowings and our cash reserves. I actually think that is a good outcome because effectively I do not think we would value it as much if the government had given us \$2.4 billion. We are spending a lot more time in making sure we leverage every dollar out of it. What I am trying to get at is that for the branch lines and some of

the ports et cetera I agree with you about the cooperative financing approach. I think you have put a fraction too much Commonwealth money in. The state and local money is fine but I think the beneficial user needs to contribute as well. I think the user of the port needs to put 10 per cent in too. The beneficial user of branch lines needs to put in because they need some of their money in the stake to make it work.

If government contributes at all levels at 100 per cent, you have just taken away the incentive for the others to make sure that it works and that they have got a stake in it. So I do think the market framework needs to be balanced through the point of strategy, structural imperfections and the rest. It makes it 10 times easier for the market to work that through when they have got a general idea that, 20 years from now, these are the general corridors and frameworks and these are the different options. Then it is about timing and whose money value over what, and what government wants to get collaboratively out of it. All those things come out of the report. That may seem strange to you, because reports are done in bucketloads. But when you go through it, the whole thing blends through each of those issues. When you look at each of the port conflicts, when you look at which one comes next, when you look at what imperative comes with what, it comes down to getting a more collaborative framework and getting a plan around it. I do not mean by that some concentrated national plan over which government dictates every step. That would be born to fail. What it is is a strategic framework collaborating against the general directions and the emphasis, getting good data together and backing through the rebalancing between commercial and economic considerations and getting that to work properly. On my reflection, that is what the report challenges and that is what the report draws out.

One good thing would be to reflect on why the market is the way it is now compared with what it was like 25 years ago. Why is it that rail was at 50 per cent 25 years ago and why is it that sea was at 30 per cent and road was X and now you have got the exact reverse? I am going to suggest to you that the reason for that is that when government got involved it got involved in a singular model concept. It dealt with roads. It ignored the other issues because they were state issues. Over 25 years it has got involved but it has got involved without the cohesion and structural thinking of bringing the elements together rather than dealing with individual players. What has happened in the last 10 or 15 years and what has come together in AusLink and the beginnings of looking at sea is how we can recalibrate that framework and make it more holistic and how we can do it in a collaborative framework.

The difficulty is that the states are a little bit concerned at the moment about collaboration because the structure of AusLink was new to them, but somehow in the next five years you would hope that COAG and these sorts of things on land use planning and some incentive financing would help to bring a more collaborative framework to go forward. That is my take on it.

CHAIR—Thank you, Mr Marchant. We will now move to questions.

Mr GIBBONS—Thank you very much. That was very comprehensive, very interesting and probably very mind-boggling. Obviously the collaborative approach is the only way forward, and that is what has been missing in the past. You have made the observation that it is getting much better. But how do you deal with it when you have got a situation with the states, the Commonwealth, then all of the users, all of the players, then the local government agencies? What sort of structure do you put in place to try and overcome all of that? COAG has been

mentioned but COAG is looking after a whole range of very important issues. This is very unique. What sort of structure do we put in place and what influence should it have over the governments—state, federal and local—and those industries affected? How do you do it? What is the answer?

Mr Marchant—The first thing is to come to a common language and framework. Part of the exercise of collaboration is also to talk and understand each other's language and what is involved. You cannot collaborate totally at a national level. You have got to break it down from national to interstate to regional et cetera and have them acting in general alignment. My first thing is that you do not need coercive powers to do that; you need incentives and disincentives and frameworks around it. Let me give you an example.

At the moment people talk about the Hunter Valley coal chain as a collaborative chain, which it is, and the next round is a master plan with all the groups coming together, not just rail, in a master planning framework, which our people are working on. In the Sydney port area, not known much to government, for the last 12 months we have set up a group with the stevedores replanning the way the port would work between the stevedores and us when we take the rail line. We did not need government involved. What we wanted was to get everybody in the same room talking about the problems in a common way. Our first start was that the two commercial providers were leveraging their position with each other. We have actually moved from that to how we all can work more collaboratively and what adjustments can be made to optimise everybody's position.

My point is this. The states have a vested interest now in getting very collaborative on land use planning with regard to transport. The cities are going to get worse and more congested. The reality is that that flicks back on the states very dramatically. The Commonwealth has an interest because of trade and framework, but so does local government. Effectively, it is about putting the planning and framework institutions together, but you must start with some language which is common—a common information basis, common views of the future et cetera. To get common views you need to have people sharing and have some framework around it. From that you will find that things will come together.

The private sector will collaborate, but that also needs to be managed because you do not actually want them running the framework or they will each run it for their own best interests—I can assure you, from a rail perspective, that is what we would do too. But the reality is that you start to set up processes around that. Most of these processes are about getting data, information and trends, and then starting to work through what that means, working through it at a high level then at the regional and local levels and then working out from that. Winners and losers come from all those things because one area wants more advantages et cetera. But, effectively, you work those things through in a framework where at least people understand what the options are and the various elements to achieve them over what periods of time.

That is not an answer about having draconian powers and saying that you direct this and direct that; that is an answer about actually getting more intelligent systems together, working on the systems in collaborative ways, starting to model the movements in corridors in a more comprehensive way, starting to share those models about how it would work—what the growth trends in Wollongong are; what the next stages will produce—and modelling that out to 20 years, and then working collaboratively on how to do that. So my view of it is that these things

work not because of coercive powers—you can have those—but because effectively you get language and understanding and start to get an alignment. Then you get trade-offs. That is where you get the comparative analysis of economic costs and benefits. It is not easy; it is not simple.

Ms BIRD—You talk an economic-commercial balance. When we have talked about public-private partnerships in the past they have tended to be either the capital is put in by government and then the lease is by the private operator, or the private operator does the whole lot, holds it for a certain amount of time and then hands it back. Are you saying that there is a potential model whereby there is joint capital investment? I am not familiar with that, but there may be cases of that happening, where the government contribution is actually leveraging the economic benefits—they are measuring the outcomes on that basis—and the commercial investment is measuring returns.

Mr Marchant—Absolutely. In fact the best models of success are collaborative frameworks of capital investment. The government capital investment, whether it be state or local or federal, is to trend off the difference between the commercial and the economic. But they go into the program as a joint investor equity holder—

Ms BIRD—Does the government go in expecting returns—

Mr Marchant—No.

Ms BIRD—They expect the returns on the economic measures, not on—

Mr Marchant—Exactly. The difference is that you do not get a return on the economic things.

Ms BIRD—Yes, that is right.

Mr Marchant—What you do is you trade the commercial return for the economic—

Ms BIRD—There is no reason you could not set benchmarks that are your economic returns. You would be measuring those in the same way the commercial partner would be measuring their commercial—

Mr Marchant—That is right. That is why the comparative analysis—

Ms BIRD—Is there an example of that?

Mr Marchant—Yes, there are examples. I will come back with some.

Ms BIRD—That would be really interesting to know.

Mr Marchant—There are examples where you can do comparative analysis of those frameworks.

Mr O'Rourke—On this collaborative framework: I agree with David; it is a fundamental issue. There is a real shift occurring here with, say, alliance contracting between different

contractors. You get guys over here that are private sector and you get others that are government, but they get together and they work out and talk about a collaborative framework, how they share a win-win situation, getting economic outcomes and financial outcomes. That is a model that is very progressive across the world, and it is happening here in Australia in a big way. You see a number of the big contractors like the Thiesses and the Leightons getting together with government departments and making programs happen. I share David's view totally on this. The whole issue is collaboration at the end of the day, which we have not been very good at.

Ms BIRD—In terms of accountability, from our perspective of putting money in, I think it is important that, in going into that, government says, 'We're not taking share of profit, we're taking share of economic benefit,' and actually sets up-front for the community what it expects out of it, and measures and reports on it and so forth. So I would be really interested to have a look at some examples of that.

Mr Marchant—Economic things are not easy to measure, but there are methods and tools around to do that. The difficulty is that once you invest you cannot pull out, so you have to take the risk on the economic framework.

Ms BIRD—That is right.

Mr Marchant—But you at least coherently outline why you did that and the rationale around it, and the comparative framework to go forward on that. It is very easy. All our contracts are alliance contracts. Our maintenance contracts, all the investment—

Ms BIRD—That is what they are termed: alliance contracts?

Mr Marchant—Exactly. All our \$2.4 billion is done on alliances.

Mr O'Rourke—I suspect the branch line issue is a good example of how you could do all this. There are economic outcomes for government and for the nation here and also there could be good outcomes for private sector investors. For example, if you got the grain industry themselves involved and they invested in a fleet—

Ms BIRD—They seemed a bit reluctant to take some responsibility themselves.

Mr O'Rourke—Your Alberta model is all about that. Your Alberta model is that the government says, 'We want an economic outcome and we'll invest in the upgrade of tracks to bring them up to a fit for purpose statement.' David and I are on the same wavelength here. The regulatory issues for a branch line are not the same regulatory issues as for a main line.

So on one hand you have government outcomes in that you are looking at preserving a whole economic framework of the nation and on the other hand you have private industry looking to get commercial returns out of it. If someone owned a fleet of wagons and it was a private sector investment, they would need returns on that. You have hook and pull operators, and there are a number of those around. There is a model there, I believe, that could be a win-win for both the public and private sectors.

CHAIR—Could we go to a couple of lines now? Maldon to Dombarton—

Ms BIRD—Which was in my mind in the last conversation.

CHAIR—That is one of our favourites.

Mr O'Rourke—I realise that.

CHAIR—Penola and Mount Gambier to Portland. You have both mentioned Brisbane to Murwillumbah and Lismore. I think it is a pity about that one. I always think that one is a given, but it never seems to happen. What about, also, one of the earlier ones in our report: North Goonyella to Newlands? I know the Queensland government said they will approve the line, but I think it is a bit fanciful to believe that it is just going to happen unless there is some sort of government seeding there.

Mr O'Rourke—It is 69 kilometres from North Goonyella down to Newlands. There has been quite a comprehensive study done by government and a QR study on that. And as I understand it, the coal industry has agreed to stump up something like about \$27 million to \$30 million of funding to progress that. I have no doubt, Chairman, that that is a program that is going to proceed and quite quickly. There is already an upgrading of Abbot Point Terminal occurring, so there will be significant capacity there—

CHAIR—Don't Xstrata have total use of that?

Mr O'Rourke—Yes, they do at this stage. That is the old MIN.

CHAIR—And they are still prepared to throw some dough in?

Mr O'Rourke—Yes.

CHAIR—That is a change from when the committee first started.

Mr O'Rourke—Once you get from Newlands up to Goonyella, you bring the whole Bowen chain in there—about 11 producers. I understand that there are very progressive discussions going with the coal industry at the moment.

CHAIR—All right, we will discount that one. What about you, Mr Marchant? What do you think about Maldon to Dombarton?

Mr Marchant—The last time I came to see you, I said it needed a good business case framework. I think I said \$3 million or something to get into it. The reason it was \$3 million or less is that you do need to model through the commercial issues and then the economic issues and then trade in to what is going to be dealt with, if the government wants it to happen—that is, the difference between the commercial and the economic. Because it will not be commercially viable. The question then is: does it have other economic outcomes which are progressive? How do you then blend that? There is a difference between the capital and its operating cost. In my view, it is probably not going to be commercially viable on an operating cost basis either.

CHAIR—Is there a figure for that line?

Mr Marchant—I am not going to jump onto it yet. Wait until the calculations are done.

CHAIR—What about Mt Gambier and Penola to Portland?

Mr Marchant—A few years ago we did look at that. I have a bias at the moment. We are in negotiations with the Victorian government about our lease in Victoria and part of that probably includes us taking the Portland line. If that were the case then I would have a bias with regard to possibly doing a connection from Portland to Mount Gambier, which would be much more economic than Mount Gambier to Adelaide. So I should declare that we probably have—

CHAIR—You declare an interest there.

Mr Marchant—Our view is that Mount Gambier to Portland is by far the most economically rational outcome. It is not totally commercial, but it is economically rational.

CHAIR—What about the additional Penola branch for the woodchip and the paper mill?

Mr Marchant—Again, I think if you start to look at the Portland issue in a different set and you forget state boundaries then those things become much more rational. The reality is that while ever those things are in individual state hands and not brought into a broader strategy framework, you are likely to get perverse outcomes.

CHAIR—What did you think of our idea of having interstate commissions on the major border?

Mr Marchant—I supported the border issues. I think that, for those very reasons, it is worth having special border arrangements—so that you do not let the artificial boundaries of our constitution distort rational commercial outcomes. But I would broaden that and say that you not only need to do that on the borders; you need to do that in a broader sense. But I agree with the borders. I think the whole issue of Mount Gambier to Portland is a fine example. I live in South Australia at the moment and I know that people in Adelaide have one view and people elsewhere have another view. Anybody looking at it rationally would connect Mount Gambier to Portland on the transport corridor. They just happen to be across state borders.

Mr McARTHUR—Could I raise five issues to get a quick response. The first one is the link to the north-south line from Sydney. What are you suggesting there as a solution to that?

Mr Marchant—The first answer is that, in our AusLink 2 submission, we have put a package up of just over \$810 million, which would enable from Strathfield through to Newcastle a consistent fourth—

Mr McARTHUR—You are talking about the proposed inland route making a connection to Sydney?

Mr Marchant—Yes. The biggest critical issue on the northern side is from Strathfield to Newcastle, then from Newcastle you can go inland or you can go around.

Ms BIRD—Getting out of Sydney, going north.

Mr Marchant—Now, the issue with that is that you cannot get through northern Sydney reliably in the next 15 years. In our AusLink 2 bid—

CHAIR—What are you saying? That will not work until you get the Strathfield thing right?

Mr Marchant—Absolutely. You are going to come to constraint in northern Sydney within 15 years. But, effectively, although we have got southern Sydney covered, the northern Sydney issue needs to be attacked. And it needs to be attacked regardless of an inland railway. It needs to be attacked because Sydney-Newcastle and Newcastle-Brisbane is still a very comprehensive market and will have to be addressed.

CHAIR—Assuming you got that going, what about the Murrurundi range? Isn't that the other end of that—

Mr Marchant—Ardglen? Effectively, if you are going to build an inland route, it has to go to Brisbane. The debates about stopping at Toowoomba and elsewhere are intellectually very interesting, but then when you look at the road transport that would be required for every train stopping at Toowoomba—and you would not have as many—the number of B-doubles you would have going from Brisbane and southern Brisbane to Toowoomba would mean that within a matter of six months you would probably be reconsidering whether you would have B-doubles going there because you would need X number to fill and empty every train.

Mr O'Rourke—It would be unsustainable.

Mr Marchant—It would undo every framework you went for.

Mr McARTHUR—My second question was: what is your suggestion on that?

CHAIR—Yes, because that seems to be the greatest sticking point: Toowoomba to Brisbane.

Mr Marchant—We are going to do a scoping study in the next two years to try and find a solution to that.

Mr O'Rourke—But I think, Stewart, it is important that, with the Melbourne-Brisbane inland corridor—and I have got views on that, as I have already expressed to you—there is a connection into Sydney and that Sydney is not isolated, in the sense that you could get to it coming from the south, like from Temora and around that area, and connect in with the railway line that is being upgraded now, so there would be a good connection in there.

One of the things that concern me about the studies that have already occurred on the Melbourne-Brisbane corridor is that they really have not looked at an optimal corridor. To my mind, the Shepparton proposal to come up to Narrandera, then go backwards across to Junee, and then come up through Cootamundra is a nonsense. If this country is going to build modern transport networks, we should be looking at an optimal corridor there, where you put in some new track coming across from Narrandera to that Forbes line, go up, bypass Dubbo, Coonamble, straight across—a short corridor.

You could have a corridor here—1,600 kilometres—which would be shorter than the Newell Highway. One of the things that I noticed in your 1998 report, when the ministers got together in 1997—and that is a world ago in the way that things have progressed in the last 10 years or so—was that they looked at long-term planning there. They looked at railways having 20-tonne axle loads, 125 kilometres—that was going to be the minimum standard—and averaging 100 kilometres an hour.

What I am saying is that if you had a 1,600-kilometre, good, high-standard railway line—nothing much better than what we are now starting to look at in upgrading tracks, but a good, first-class railway line, which is pretty common in many parts of the world—you could get Melbourne-Brisbane into the overnight market. For example, it is two days now—a second day—so you change the whole inventory, logistics, economics on the east coast. That could be done. I do not think you have to be too clever to do that, quite frankly.

CHAIR—And you say Paul Little is a strong supporter of that?

Mr O'Rourke—Yes.

CHAIR—Yet Little and Corrigan—still active in the business—both said that the vital ingredient was the Toowoomba-Brisbane thing that Mr McArthur just raised. So how do we reconcile those two things?

Ms BIRD—Chair, I am sorry but I have an appointment and will have to go. I apologise for this. Thank you both very much. We get too interested when we get you both here.

CHAIR—Before you go, while we have a proper quorum here, I need to ask the committee to authorise the publication of the transcript of evidence given before it at this private meeting today. There being no objections, it is so ordered.

We will finish with Mr McArthur's question and then we will wind up.

Mr McARTHUR—Can we just be clear about what you are talking about in relation to the Sydney link. If you have Vince's north-south inland route of 1,600 kilometres, how are you going to get into Sydney? That has always been the argument that I have had. Which way are you suggesting?

Mr O'Rourke—You could probably come a couple of ways. You could come through Temora or around that region to connect into Sydney and come up through the southern corridor. ARTC work with Ardglenn and the work that is proposed there, so I guess you could go down that way to.

Mr McARTHUR—So there is a possibility to make the Sydney link? That is all we are asking.

Mr O'Rourke—Yes, you could connect two ways.

Mr McARTHUR—North-south is one thing, but the connection to Sydney is really the key issue, it seems to me.

Mr Marchant—There are two methods of connecting and I do not know if they are efficient. That is why I think the coastal route between Sydney and Brisbane will still be a very keen route. If the coal companies proceed with the coal developments in Gunnedah, which I expect they will, then it is inevitable that Ardglen will eventually come on line somewhere around 2012 or 2013. Yesterday's announcement by Xstrata further reinforces that. We are in active consultation with the coal companies about Ardglen and the planning around it. That will be fully financed by the coal industry. There will be no government money going into that development. That opens up a whole range of options such as coming down into Newcastle and then from Newcastle into Sydney and/or from Cootamundra back through the back end into Sydney. They will not be as efficient, but they will deal with top-up issues and the rest.

The inland route is a Melbourne-Brisbane corridor route. It is not going to be an effective Sydney-Brisbane corridor route. It is a top-up framework. The Sydney-Brisbane route will still end up being rational by the coastal route. Regardless of that, and I know people get excited about the inland route, there is a major problem in northern Sydney which will have to be addressed, and it will have to be addressed in the near term.

Mr McARTHUR—Let me have a go at a couple of other questions pretty quickly. In our report we talk about the rail-road share and about rail declining. How would you argue with the government of the day that rail should be looked after when you see these graphs crossing over? Just give me the one-liner to the cabinet.

Mr Marchant—The first one is: eight years ago rail market share going east-west was about 50 per cent, today it is 82 per cent. The reason for that is that a very small amount of investment got it up to the standard that was required to make rail compete. The problem with Melbourne-Sydney Sydney-Brisbane is that it has deteriorated for 30 years and we now need an urgent injection to the adrenalin veins to actually get it to perform at anywhere near what the logistics chain wants, and when we get it to there it will be at 30 per cent and have the potential to grow. But we have to overcome the dilapidated past. That is exactly what this \$2.4 billion is about. We will get to a 30 per cent market share in the next five or six years.

Mr O'Rourke—I had a good example yesterday. I travelled from Newcastle to Sydney to come to this meeting and I caught the XPT from Broadmeadow. That is a train that was designed 25 years ago that could probably do 200 k, and it was struggling up the Cowan Bank. We were doing 50 kilometres an hour and it struggled up there. It took us an hour and a half to an hour and three-quarters to make the trip. With a modern train you could probably do it in half to three-quarters of an hour. The Cowan Bank is a major inhibiting factor there, both for freight and metropolitan services in Sydney.

Mr McARTHUR—On passengers in Victoria, you are aware of the sudden surge of patronage—15 per cent more passengers, the trains are overloaded. So there is a political issue arising—'Why doesn't the federal government fix up the urban transit systems?' I think Victoria have done well with the privatised arrangement. They have done a pretty good job. What is your response to that? Urban transit rail is where the real politics is.

Mr Marchant—My catch-22 there—Vince may have a different view—is that you really do have to work out what the Australian government, state governments and local governments want to do. In the collaborative framework, if you not only want to move the Australian

government into freight, interstate and the rest, but also want to get into the urban passenger market, you really need to look at adjusting the whole lot of financial arrangements between the Commonwealth and the states. The murkier the water gets between who is responsible for what, the more it will be that nobody will be responsible for anything.

One of the real catch-22 challenges in the federal model is whether the states are going to be responsible for urban passenger systems or not, including major urban frameworks, like Geelong's, or whether it is going to be a collaborative thing. If it is to be a collaborative thing, then you will need to renegotiate a whole new game. At the moment every state—every one of them—is seeking money from Canberra for its passenger systems, because they are poor or whatever. The Commonwealth has been resisting that for a long period, because that would then get them into another game. It may want to get into that game for urban planning issues; that is different from transport. But if the Commonwealth wants to get into the game for transport issues, then you really do need to look at your whole model of responsibilities for transport.

Mr O'Rourke—I might just add that I believe this is a significant issue for the nation. We can see the issues that exist with the Sydney system. A lot of money is being spent there now—and there is the involvement of people's goodwill—in trying to bring an outdated system, which was designed 100 years ago, up to where it can deal with the modern world, where there is tremendous growth on rail. You have all the issues of fuel savings and climate change. All of those sorts of things are also hitting here.

I do not think, in the longer term, the states will be able to carry the need in, say, Sydney, Melbourne or even Brisbane. There will have to be some new collaborative model. It might get back to some sort of federal-state type organisation that will deal with these sorts of issues. Quite frankly, I do not know how Sydney will deal with its future. There have been some plans, such as for new harbour tunnels. The states cannot fund all that sort of stuff.

Mr McARTHUR—How is the Brisbane airport rail going?

Mr O'Rourke—The Brisbane airport rail, as I understand, is now making a profit and is going pretty well. I had quite a bit to do with that in the early days. That was the first public-private arrangement between QR and a private operator. It is working quite well. They have done a lot of marketing. There is good cooperation between the two organisations. With the way that the Brisbane airport is growing, it is obviously going to be a very successful venture. That is certainly my opinion.

Mr McARTHUR—So, unlike Sydney, it is working well.

Mr O'Rourke—Yes, I think it is. It has had all sorts of problems in its early days, such as lack of patronage, but I am sure that it is going to improve. It is early days, but they have done some good work there in progressing it.

CHAIR—Mr Marchant, you say that you are going to do a scoping study now on Brisbane-Toowoomba.

Mr Marchant—No; on the whole inland. The federal minister for transport a few weeks ago announced a scoping study.

CHAIR—Although everyone knows that it is necessary, there is scepticism about whether Toowoomba-Brisbane will happen because it will cost about twice as much as the Toowoomba-Melbourne component. Is there a case for the Warwick option in the sense—

Mr Marchant—I am sorry, I should qualify my answer. We are doing a scoping study on the inland route. Toowoomba-Brisbane is one option to get to Brisbane; it is not the only option.

CHAIR—Is the Inglewood-Warwick-Legume-Woodenbong-Rathdowney option a serious first step? If you do that, is it a fact that you will not have to worry about the Toowoomba Range in the short-term and perhaps even in the medium term?

Mr Marchant—Eventually, the scoping study, when we do start it, will look at all the options of maximising entry into Brisbane. The Toowoomba option is one option to get to Brisbane. It is a very high priority—it is \$700 million to \$800 million. If there are other ways of getting into the back end of Brisbane—and there are—we will look at them as part of the scoping study.

CHAIR—If you went that way, would you then link Warwick to Toowoomba as a later move?

Mr Marchant—I will not pre-empt what the scoping study will do. We are going to optimise the options to enable the Australian government to know the difference between the engineering and the outcomes.

CHAIR—I am trying to flesh out is this: people of the calibre of Little and Corrigan say that the direct rail link into Brisbane is vital; shifting things on trucks in Toowoomba is not a serious option. I do not know if that is their current position.

Mr O'Rourke—I understand that it still is.

Mr Marchant—That, by the way, is ARTC's position as well.

CHAIR—I do not see how the inland rail is going to work without that happening. I do not know if this is out in the marketplace but it has been talked about around the building here; it is not a secret figure. I think Minister Vaile is talking about planning 2011, commencement 2014, operational 2019. Could they all be brought forward a year so that you went, say, 2010, 2012 or 13, 2016 something like that?

Mr Marchant—The scoping study is going to look at all of the options including timing.

CHAIR—Timing as well?

Mr Marchant—I must caution that bringing it forward might be disastrous for it.

CHAIR—Oh yes, sure. It just seems to me to be a long way out, 12 years. Invariably in these things there is always slippage.

Mr Marchant—The scoping study is going to look at all of that. There are a number of advocates who would like it built tomorrow. It would be disastrous if that were the case because it would not cover its operating cost, would probably become a suboptimal option against

Vince's option. The best thing is to get a scoping study that focuses around what is the most optimal framework and cost, and options around that.

CHAIR—People will look at the GATA option, the ARTC option.

Mr Marchant—It will look at each of the options to optimise the Melbourne-Brisbane outcome.

CHAIR—The left-field ones that have been added?

Mr Marchant—It will look at the far western corridor ones—we are not going to get into the central corridor and the coastal corridor again—operating into Brisbane. We do not want to reopen 169 options but will look at the far western options. The press statement from Minister Vaile said that is what the scope will be and that is what we will focus on. We are not focused on a particular piece of line, whether it be Toowoomba-Warwick; we are focusing on the far western option from Melbourne through to Brisbane. We are going to look at all of those options to optimise it.

Mr O'Rourke—The far western option was an option using existing railway lines pretty much. The terms of reference, and I am sure that there will be a fair bit of discussion further on about that, should also look at the optimum type solution rather than, as I mentioned earlier, running around on railway lines that were built for another time. The original study also did not really take into consideration new technology, those sorts of issues. Modern effective railway line was not on the table.

CHAIR—Is the Pilliga scrub a great impediment? It is a huge area and the railway line goes through it: is that a serious environmental problem?

Mr Marchant—A part of the scoping study will be consulting with the environmental agencies to see what degree of environmental risk there is.

CHAIR—If you had a Pilliga east and a Pilliga west, would it make much difference in the grand scheme of things?

Mr Marchant—It would depend what the environmental authorities think.

Mr O'Rourke—The issue today, the horizontal alignment, you could come through there in very flat grades, 1 in 80. The construction cost is quite low compared to what they are in other parts of the network.

Mr Marchant—The bottom line of that is it depends on the environmental authorities. Humble track constructors are always subject to the environmental authorities.

Mr McARTHUR—What would you be asking the incoming government for, you two guys, on your wish list?

Mr Marchant—My wish list is already in there under AusLink 2. It is a humble sort of thing. It ranges from \$1 billion to \$2 billion, depending on your view of it.

Mr McARTHUR—\$2 billion. Okay, what do you want, Vince?

Mr O'Rourke—To look at that inland corridor in a very progressive way, taking into consideration the world that we live in today.

Mr McARTHUR—You have been pushing that pretty hard?

Mr O'Rourke—I push it hard, yes.

Mr McARTHUR—We have given you good run in the report.

Mr O'Rourke—I appreciate that.

CHAIR—Thank you both for coming, we very much value your contribution; it helps round off 2½ years of work for us. I know that your compliments are well received because, when you come out with these reports, and you make a few daring observations and try to suggest models to break down years of inactivity, you often wonder how the industry or the leaders in industry see it, and it is encouraging to know that, at least in some areas, we have our finger on the button. Thanks again. I declare this private meeting closed.

Committee adjourned at 10.55 am