



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

CANBERRA

Thursday, 11 December 1997

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND
MICROECONOMIC REFORM

Members:

Mr Neville (Chair)
Mr Peter Morris (Deputy Chair)

Mr Ross Cameron	Mr McArthur
Mrs Crosio	Mr McDougall
Mr Hardgrave	Mr Randall
Mr Hollis	Mr Tanner
Mr Lindsay	Mr Wakelin
Mr Marek	Mr Willis

Matters referred for inquiry into and report on:

- (1) How current administrative, institutional, operation and pricing arrangements can be improved to promote effective and efficient use of the national rail network, and to investigate the role of the Commonwealth and states/territories in achieving consistency in these areas.
- (2) The opportunities to increase the participation of the private sector in the rail industry.
- (3) The opportunities to maximise access to, and utilisation of, the rail network.
- (4) Effective investment and ownership arrangements for the rail network.
- (5) Characteristics of international best practice in rail operations.

WITNESSES

AFFLECK, Dr Fred, General Manager, Corporate Affairs, National Rail Corporation Ltd, Level 5, 85 George Street, Parramatta, New South Wales 2150	57
BAILEY, Mr Jon Arthur, Director—Urban Systems and Rail Safety, Land Transport Division, Department of Transport and Regional Development, Drakeford Building, 72 Northbourne Avenue, Canberra, Australian Capital Territory	3
BEETHAM, Mrs Robyn Lynette, Assistant Secretary—Rail, Department of Transport and Regional Development, Drakeford Building, 72 Northbourne Avenue, Canberra, Australian Capital Territory	3
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BUCK, Mr Stephen, Committee Member, Association of Railway Preservation Groups (NSW) Inc., PO Box 31, Burwood, New South Wales	113
BUTTERWORTH, Mr Robert, Head, Environment Priorities and Coordination Group, Environment Australia, GPO Box 787, Canberra, Australian Capital Territory 2601	46
DUNDAS, Ms Catriona, Corporate Affairs Manager, National Rail Corporation Ltd, Level 5, 85 George Street, Parramatta, New South Wales 2150	57
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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Role of rail in the national transport network

CANBERRA

Thursday, 11 December 1997

Present

Mr Neville (Chair)

Mrs Crosio

Mr McArthur

Mr Hardgrave

Mr McDougall

Mr Hollis

Mr Wakelin

Mr Marek

Mr Willis

The committee met at 9.01 a.m.

Mr Neville took the chair.

CHAIR—I declare open these public hearings of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform in its inquiry into the role of rail in the national transport network. This first round of public hearings is being held in Canberra both today and tomorrow. In opening these proceedings today I would like to emphasise that, in addressing the terms of reference, the committee's role is not to lobby the Commonwealth government—nor, for that matter, any other government—in support of individual proposals. The committee's role under the terms of reference is to investigate how rail could operate better in the future, and to report its findings and recommendations to the parliament.

The public hearing this morning will enable the committee to take evidence from officers of the Department of Transport and Regional Development. This will provide the committee with a national perspective of issues being considered in the inquiry. Evidence will also be given by the Department of Finance and Administration, National Rail, and Environment Australia. This afternoon we will be hearing evidence from the ACT Government, Dr Philip Laird, and some special interest groups in the community.

On behalf of the committee, I would like to welcome everyone appearing here today, be you at the table or elsewhere. Before proceeding, I wish to advise all witnesses that although the committee does not require evidence to be taken under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House of Representatives itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. On that very sombre note, I would like to welcome our first witnesses this morning.

BAILEY, Mr Jon Arthur, Director—Urban Systems and Rail Safety, Land Transport Division, Department of Transport and Regional Development, Drakeford Building, 72 Northbourne Avenue, Canberra, Australian Capital Territory

BEETHAM, Mrs Robyn Lynette, Assistant Secretary—Rail, Department of Transport and Regional Development, Drakeford Building, 72 Northbourne Avenue, Canberra, Australian Capital Territory

GEMMELL, Mr Bruce Robert, First Assistant Secretary, Land Transport Division, Department of Transport and Regional Development, GPO Box 594, Canberra, Australian Capital Territory

CHAIR—The committee has received your submission. You might state in your opening statements whether or not you have any corrections or additional submissions to make to that. Before the committee proceeds to asking questions, do you wish to make a brief statement? We would like to recommend, because of the complexity of this issue, that your statements be kept to about three minutes.

Mr Gemmell—Mr Chairman, we would like to make a very short opening statement, both as an overview of the types of things that we put in our submission to you and to point out that, in our view, the inquiry comes at a very important time for rail in Australia. We think rail can either move in the direction of becoming a modern, dynamic, growing sector in Australia or else continue to decline as an important element in Australia's transport network.

We would suggest that rail today suffers a little bit from its history. It has developed in Australia as a number of state based independent operations, and the break of gauge is but one very prominent example of the myriad inconsistencies that make rail travel across Australia rather difficult. We mention, for example, 22 safeworking systems and 17 different radio systems. It is quite a complex system out there.

It is becoming difficult for rail to match the competitiveness and responsiveness of other interstate operations in the road and sea sectors. We have not really got a national approach to rail, notwithstanding the efforts made towards that in the past—for example, the creation of the National Rail Corporation. In such areas as uniformity, the road sector has actually had a very active program of pursuing national regulatory uniformity for a number of years. Rail has, over a long time, suffered from limited investment, and that is fairly understandable as scarce government resources are actually chewed up in operating subsidies rather than in investment capital.

In recent times, the Commonwealth government has taken a number of significant steps to address the concerns in the rail area. There was an agreement struck at a rail summit, a meeting of all Commonwealth and state rail ministers earlier this year. There was a recent agreement struck at the Australian Transport Council to create an Australian rail track corporation. The government sold Australian National to the private sector, and it proposes to sell NR.

The concept actually underlying what the government is doing is to have the private sector competing on what is effectively government owned rail track—not totally the same, but a little similar to the road situation. The government has pledged \$250 million towards investment in rail track. We expect the private sector operators to make their investments in their own operations, and we would hope that we can attract

private sector investment in rail track itself from the private sector. We think we have made a pretty good start, but there is a lot more to do.

At the current moment, we have actually got to set up the rail track corporation: there is an agreement to do it, but it does not actually exist today. We have finalised most of the sale of AN, but there is a lot to clean up with that. We have actually to get on with the process of selling National Rail. In conjunction with the states, we have to start to address the issue of lack of uniformity in Australia with the umpteen different systems that operate in Australia. I suggest that we have to rethink rail safety arrangements in Australia, in the light of what is actually happening in the sector. That is to say, there are lots of private operators out there now, and that is not a situation that we have had in the past.

Particularly, in the two latter matters of rail safety and uniformity, we really are in early days. We are open to views about what is the best way to go—and not only what is the best way to go but also how to do it, given that we are actually working in a Commonwealth-state arrangement and with a history where the states have really controlled all rail operations. We raise in our submission, for example, an open question of whether you need a formal body to pursue uniformity—a little like the National Road Transport Commission for the road sector. Do we need something like the rail equivalent of that? Similarly, do we need to take a much more national approach to rail safety? Do we need a rail safety agency, or something like that?

I should also mention that, in addition to all the major developments in the state operations, there are some other pretty exciting things happening in rail at the moment. There is the Alice Springs to Darwin railway proposal, and the Canberra-Sydney fast train issue is being looked at. So quite a lot seems to be happening in rail.

Finally, I would like you to remember a thing that is easy to forget, and that is that rail is but one part of what is becoming an increasingly integrated transport network. You have got to be very careful not to think of it just as a separate entity that you can develop in its own right: it actually has to develop in a way that allows it to play its appropriate role in what is a very integrated, and perhaps becoming a more seamless, transport network. That is all I wish to say, Mr Chairman.

CHAIR—Thank you, Mr Gemmell. Mrs Beetham and Mr Bailey, do you want to make any added comments at this stage?

Mrs Beetham—No, thank you.

Mr Bailey—No, thank you.

CHAIR—Thank you for that statement, Mr Gemmell. It is a very comprehensive report. As you said, there are lots of things happening. This question might seem to be obvious, but what does the department see as its role in the national transport network? What does it see for rail in the national transport network? What is the department's considered position on this?

Mr Gemmell—We are in a state of change about what the Commonwealth role is.

CHAIR—You have thrown up a lot of options. You must have some preferred option.

Mr Gemmell—We have had a role where we had responsibility in terms of operations of railways: Australian National and, more latterly, National Rail. I see that actually changing to a role where we will not have any responsibilities in terms of operations and what actually happens above-track—but we will have a much greater responsibility than in the past for below-track operations, for the state of rail track. In the past, it has in the main been the responsibility of each of the states to worry about the track in its state, with the Commonwealth both providing a leadership role to get the states to standardise that and occasionally investing some money in it.

We see that as becoming a much more regular commercial operation for the Commonwealth, and the Commonwealth as providing a strategic leadership role, particularly for interstate operations in Australia. I see the role starting to move towards a role similar to that which occurs in the road sector, where the Commonwealth in conjunction with the states will actually be working with them to create uniform systems to ensure that we do not have the funny little idiosyncrasies that occur between each of the state systems.

On the safety side, I would have to say that at this stage I am not too sure about quite what that is going to be, but I am becoming a little uncomfortable with the idea that the existing set-up of essentially separate state based systems, where they do their own safety regulation and their own safety analysis, is really adequate for the future. It is really quite an open question as to what role the Commonwealth might play on the safety side. It has not, in the past, played much of a role. We did facilitate the development of an intergovernmental agreement on rail safety. We had some role in respect of that, but we do not have a particularly active role as we do on, for example, the aviation side or even on the road safety side.

Mrs CROSIO—If you negotiated an intergovernmental agreement on rail safety, why are you worried about what each state is doing in implementing their own?

Mr Gemmell—We are concerned to make sure that it is effective. I am guessing a little. I do not have any statistic to tell me that I have a real problem here, but I am worrying about the future. I am worried that, as you have commercial operations above rail, if you have an accident the first and fairly normal commercial response is to protect their interests. It is not to address the safety problem that caused the accident; it is to make sure they do not incur a liability.

On the aviation side, we have a body called the Bureau of Air Safety Investigation. When you have an accident, it immediately rips out there to work out the safety question that caused the problem and to address that; secondary to that are the commercial interests of the organisations that were involved. I am concerned to ensure we get the same sort of approach on the rail side, that we do not subjugate rail safety to the commercial interests of the operators that are above it. In the past it has not been such a problem because the same entity has always been operating. But now you might have issues involving, for example, the track provider—was the track provider at fault? Were the signals or the points the cause, or was it the train or the driver, or what was it? There could be a lot of pointing of fingers perhaps.

Mrs Beetham—If I could add to that, there are two elements. One is setting the standards and the other is investigating the causes of an accident, and that gets to the kinds of things Bruce was talking about.

But I think, too, that to the extent there are disparities between states in what they regard as the standards that are appropriate, you could in some ways be detracting from the overall safety performance because of the confusing requirements for train drivers, for example in different states as they traverse the interstate line. If different signals mean different things in different states, you are putting at risk some elements of safety. John would no doubt like to comment because he has been instrumental in establishing an IGA.

Mrs CROSIO—I would like an answer too. Are you telling me that we have different signals in different states?

Mr Gemmell—Yes, very much so.

Mrs CROSIO—I thought up was up, go was green and red—

Mr Bailey—What was said is quite correct: there are different signals that mean different things. Red over green means different things in Victoria and New South Wales—a slight difference in interpretation but a potential problem.

Could I pick up some of the issues that Bruce expanded on, particularly in relation to BASI. An air safety investigation has one fundamental element, and that is to find what were the factors that contributed to an accident. There is no single cause of an accident; there are a series of factors that come together at a particular time and cause it. The second element that flows from that point is that there is no apportionment of blame. Traditionally in railway investigations, signalman Bloggs was suspended for three weeks: end of inquiry. That does not solve the problem. The third element is the openness that has occurred.

Since we have had the IGA, the railway has nominated 36 investigators for an independent panel. They were drawn basically from the engineering and operation disciplines, and one thing became very clear to the Commonwealth: there were no human factors investigators that were offered by the states. The Commonwealth offered and nominated four psychologists from BASI who are investigators. At the same time, we put 50 railwaymen through BASI, not on a training course but to introduce them to the concepts of no blame, to work that has been done in accident investigation and to the BASI principles of approach. That is starting to bear dividends.

In the accident at Mount Christie, the panel of investigators drew on BASI's experience. There is a major investigation occurring at Beresford in New South Wales at the moment. The investigators who are carrying out that coal accident investigation are BASI investigators, at the request of the New South Wales government. The point I am making to the committee is that railways are starting to take on these principles. The major accidents that have been investigated by the panel of investigators set up under the IGA have been basically no fault, or no blame attached, investigations. So there is a deal of progress in that area.

CHAIR—Do we need a BASI, or do we also need a CASA-type body for that enforcement level?

Mr Bailey—I think there are three fundamental principles in safety whether it is sea, land or air. The first is that you separate operations from investigation and from regulation, because there is often a need for the investigator to criticise the regulator if the regulations are wrong. We have achieved that de facto under

the IGA because, while we have a panel of independent investigators, they are normally drawn from another state. If you have an accident in Western Australia or in South Australia, you will have a Victorian or a New South Wales investigator come in and do the investigation, so he is independent from the system.

CHAIR—With pilot training, for example, we have all levels of pilots, don't we, from 747 captains down to ultralight people, but there are some basic rules and regulations regarding aviation, the flying of aircraft and radio communications. There is a standard right across Australia—which tasking centre you tap into, which frequency you are on when you are within a certain zone et cetera. All those things just happen like clockwork. Whether you are a farmer who gets his old Cessna out once a week or whether you are the captain of the latest 747 there is a uniform code and that code is changed, from time to time, quite easily. Is there a need for something similar to that so that for all engine drivers—I do not know what they call firemen these days—

Mr Bailey—Normally they are drivers.

CHAIR—there would be a code of training, similar to aviation, where for everyone, no matter where they drive a train in Australia, whether it is up at Mount Newman or in inner Sydney, there are certain code signals. Is that possible to achieve?

Mr Bailey—The short answer is that it is possible to achieve, and it is possible to achieve a national rule book, which is the safe working rule book. That could be achieved, but it will require a great deal of goodwill on the part of all the state systems. Included in any system like that is always one provision which will have to be done for any driver, and that is that he has to learn the road that he is going to drive on, and that possibly will be specific to an area. That is just part of the training.

I think you could say that an airline pilot may need certain experience before he is qualified or lands on a particular airport. But, quite frankly, it will be possible to develop a single rule book for Australia. In fact, there is a deal of work that has been done on it already, but it has, like many things, run into some opposition in various states.

Mr HARDGRAVE—Like others, I am left staggered that we have three or four, or whatever, different gauges, 22 different safety systems, three or four different fire jackets used in the run between Melbourne and Adelaide, and umpteen other things that are so inconsistent and so ridiculous when you look back now. But what have we been doing for 100 years?

We have a Commonwealth government that set up operations in 1901 and we are still talking about territorial fiefdoms when it comes to train sets. What is going on here? Why has this not been addressed? You talk about the historical context, Mr Gemmell. Could you give us a feel for why this has been a problem? The second thing is: can you quantify what the inefficiency lags are as a result of this? What is this sort of stupidity really costing the country?

Mr Gemmell—If I could take the second question first—it is very difficult to quantify it in aggregate. We could certainly give examples of the cost. National Rail, for example, which runs an interstate freight operation, can give you examples of, say, the equipment cost to them of fitting out their new locomotives to

take all the different radio frequencies they have to actually accommodate in radio systems. They could actually cost that. That is an easy example. The other costs are much more substantial and much harder to find, but they would be quite substantial because you are operating with different systems.

On the first question of why this occurs, again it is essentially coming from history. Rail in Australia has been a very significant thing and run totally by the states, in the main. There was a big effort at the Commonwealth government end to actually link up Australia by rail through the standardisation process. It has been a very significant issue for states and remains so today. Urban transport in Sydney, for example, is a very major issue for the New South Wales government, as indeed is their transport to Orange, Dubbo and those outlying areas. There are very major issues for the state.

Whereas interstate operations are terribly important, they are just one of the issues that are facing New South Wales. For example, when we were talking to them about the rail track operations going into Sydney, they said, 'Look, interstate operations are 10 per cent of what is coming into Sydney, and 90 per cent is our interurban or country services. They are highly sensitive.' So it is not necessarily the priority that they put on those issues.

CHAIR—Don't we have another dimension coming into this whole argument? Building on what Mr Hargraves has said, the tilt rail is about to start in Queensland; they are testing now. There is also awareness of the Canberra-Sydney thing, as you said in your opening remarks. We are talking about trains that will be passing each other at closing speeds of 300 kilometres per hour plus and even up to 400 kilometres per hour. There are old interstate rivalries, and there would be no room for error when you have trains passing at that sort of speed. A crash at a siding in those sorts of circumstances would be of the nature of a 747 going down or that style of thing, wouldn't it? Isn't there a certain imperative in all of this that we have to cut through that sort of thing?

Mrs Beetham—I agree. I think we in fact say in our submission that the recent agreements reached at the recent summit in the ACT are unprecedented in terms of ministers' willingness to take a national approach. It is not to say there is not some way to go yet, but we have made tremendous strides in the last five years or so just getting the interstate standardised and now to get agreement to try to move forward with a national approach.

I think one of the other things that is driving that is not only developments like those you mentioned but also the very fact that the states which up until now have operated fully integrated systems are starting to accept that they can no longer continue to run those at the losses they have been incurring. They are moving to corporatisation; they are privatising; the Commonwealth is privatising. New pressures are being exerted that are forcing the states to accept, I think, that they can no longer hide their head in the sand, as it were, and continue to run a fiefdom. They have to take a much broader approach.

CHAIR—Have you and your departments and subdepartments looked at the legislative authority to do this? Civil aviation has, as I understand it, a constitutional support.

Mr Bailey—I think an officer from Attorney-General's would be better to advise you on this. The aviation power is an interesting one in that there is no power for aviation in the constitution. It is a power

that has been created based on a series of powers that are there, which range from the territory power to the defence power and the Commonwealth places power. But the real practical reality is that, if you want to operate an air system, only one person can do it and that is it. Aeroplanes came in after the constitution.

CHAIR—What would follow from that is that the states would have to surrender something if we are to have some sort of regulator.

Mr Bailey—The Commonwealth does have some significant powers under section 51(i) of the constitution in relation to railways. It also has three specific railway powers in the constitution—from memory, 51(xxxiii), (xxxiv) and (xxxv). They enable railways to be taken over with the consent of the state, they enable a railway to be built in a state with its consent, and the final one is to take over a railway for naval or military powers. It is really section 51 that will give the interstate power and, of course, 51(i) covers overseas trade as well.

Mr Gemmell—Just as a matter of interest, when the constitution was formed there was in fact a vote on whether rail would be deemed to be a national issue matter for the federal government or a matter for the state governments. I forget the numbers but it was reasonably close. A comfortable majority was in favour of keeping it as a state issue.

CHAIR—Was that in one of the conventions or the actual referendum itself?

Mr Gemmell—I am not sure, but we could check that. I read that in a report from the Bureau of Transport and Communications Economics.

CHAIR—So it was recognised as a potential problem even then?

Mr Gemmell—Recognised back then that it may be more appropriate for it to be a national issue than a state one; but they went down the state way and, as a result, 100 years later we are where we are.

Mr HARDGRAVE—If I can just go back to pursue something before we get shunted off too far, could you possibly, without any long staff work and therefore cost, come up with some dollar examples of some of the inefficiencies that are in the present system?

Mr Gemmell—Absolutely.

Mr HARDGRAVE—Could you quantify that, wherever possible, for the committee?

Mr Gemmell—Are you after some examples, because we can give you a list? We did a little list of idiosyncrasies, funny things and inefficiencies, because it was useful to our debates. That is one thing, and that is easy. It is another thing to try and quantify that. Do you want both those?

Mr HARDGRAVE—I just think it would be interesting for the committee to have some examples of some of the in-built costs that are there because of the variety of systems—safety systems as well as gauge systems and signalling systems.

CHAIR—We actually saw an example of this when we were on the road inquiry. We did some transport communication inspections in Brisbane for a day and we saw that line to Fisherman Island, the standard gauge line, that has barely had a train over it since its—

Mr HARDGRAVE—I saw one the other week. It was red-letter day for me.

Mrs Beetham—What I was going to add is that we have just in fact commissioned consultants to undertake an assessment of what all of these idiosyncrasies are. One of the difficulties has been trying to identify them. We know of some glaring examples.

CHAIR—When will you have that report?

Mrs Beetham—It is due by 27 February, and we will be looking to draw on that for a subsequent report to SCOT, the Standing Committee on Transport.

CHAIR—Could we have a supplementary submission on that when it comes to hand?

Mrs Beetham—Yes.

Mr HARDGRAVE—Mr Chairman, whenever it is a convenient time, according to the list of questioners you have there, I have a few other matters I will pursue.

CHAIR—Yes. Mr McDougall is next, then Mr Willis and Mr Marek.

Mr McDOUGALL—In light of your comments with regard to safety and what has developed out of that, and the fact that we are going to have interstate freight in particular first and maybe passenger later on in some form, going through New South Wales—and New South Wales seems to be the real problem in many facets of this—and as we are not going to resolve the problem of all of these idiosyncrasies quickly but we want to get the system operational a lot quicker than that, is there a need to create a ‘national highway’ for the rail where there will be a designated track where you can put into place a code of practice and operation and where, for both efficiency and safety, you can keep other intrastate traffic off it and make it work? This is just something that has come into my mind at the moment. Is that an objective, or is it to say, ‘No, we would rather have access total’? But, if you do that, from what you have said so far I see that as not practical in the early instance.

Mr Gemmell—What you are suggesting is actually a type of model we are trying to get to with our negotiations with the states on the rail track corporation. In a sense it is terribly easy in Victoria, because there is a different gauge. In South Australia that could be done. In Western Australia it could be done—again, a gauge problem. It is not an issue in Queensland because they only have a standard gauge link up to Brisbane and it is all different gauge from then on. So if you want to go north of Brisbane you have got a problem, but to link Brisbane is okay. In New South Wales it is all the same gauge and you have actually got a major, major problem in Sydney where they are using absolutely every line to, they say, capacity.

Mr MAREK—Multiple use.

Mr Gemmell—The rail summit struck an agreement that we would work with New South Wales to try and identify dedicated interstate freight lines. If that could have been done, you could have had exactly what you were saying; we could then have had a set of lines that could be controlled on a national basis.

CHAIR—Even down to a separate corridor in some areas?

Mr Gemmell—Effectively. At the moment it cannot be done. They cannot simply say, ‘This line is going to be interstate freight,’ because of the unacceptable effects to them on their intrastate and urban operations. But that agreement still exists for us to try and work on that. They are working at the moment on various infrastructure investment packages.

If, between the lot of us, we can find the money to do it, it may be possible, over time, to actually finish up with a dedicated freight route that goes into the appropriate spots in Sydney—which, by the way, is not into Central; you do not need your interstate freight going there. At the moment they cannot do it. We may be able to get there in the future. But, because of the network effect, unless you can solve Sydney it does not matter. It is no use to anyone going terrifically out of Perth and getting stuck on the outskirts of Sydney for a day.

Mr McDougall—The other reason I am asking the question is because if we are going to end up with a proper freight network and to get into double-decker freight trains, we are going to need a different structure in the infrastructure to be able to carry that, as opposed to running around with a suburban train on it. It would be quite pointless, I would feel, to build every track to the standard of that heavy freight line. What you are saying, though, is that New South Wales are looking at it but they are not committed to it.

Mr Gemmell—They have made a commitment to investigate that and to try and create it. They clearly cannot do it unless there is some investment in new tracks. Some of that could be quite expensive. It looks to be distinctly possible that for Sydney south, down to Melbourne, you might be able to do quite a good deal. It is north of Sydney where you have significant terrain problems; the topography is very difficult and, therefore, it is very expensive.

Mr McDougall—Who are they indicating should pay?

Mr Gemmell—They would rather like the Commonwealth to pay.

CHAIR—I bet they would!

Mrs Crosio—They gave that right up in the early 1970s, when they were asked to go into a national railway scheme.

Mr Willis—Could I ask you about the national track access company? I think it is a very good development, but can you tell us a bit more about how that is going to operate? For instance, who is going to own it?

Mr Gemmell—It will be a company fully owned by the Commonwealth. The Commonwealth will

own all the shares.

Mr WILLIS—How does that fit in with the statement that you want the states and the private sector to invest in track?

Mr Gemmell—We have arrangements. The underlying arrangements for that company are quite complicated and different according to each state. For example, the South Australian track, which is currently owned by Australian National—it was transferred to the Commonwealth from South Australia years ago—will be fully transferred into the rail track corporation and totally owned and controlled. It is similar for Victoria, who indicated that they are prepared to transfer their track or, effectively, lease their track to the rail track corporation. In effect it will be fully controlled by the corporation.

Western Australia are really only prepared to provide to the rail track corporation control of current and all future interstate train paths. They will retain ownership of the track infrastructure and they will maintain the track infrastructure itself. So the rail track corporation will control and charge for people moving along that route, but the actual ownership and maintenance of that will be performed by Western Australia. Because they have moved their rail operations into profit mode, Western Australia have actually got a fairly sizeable capital investment program that they are planning for the track, so there is some investment on their part.

In New South Wales they have a similar arrangement where all they have allowed the rail track corporation to take over are the current interstate freight paths. They have made a commitment that they will increase those freight paths by some percentage points over a period of time. But they will continue to run the track and they will continue to maintain that track.

Mrs CROSIO—Freight paths on the existing lines, not a new line proposed?

Mr Gemmell—They have agreed to transfer all the existing interstate freight paths, which basically means National Rail's operations. For the Commonwealth's part, that was of little use, because all that meant was that you had control of existing lines but you could not grow them. The transport ministers have agreed that they will provide at least a five per cent increase to interstate operations on 1 January and at least another five per cent a year later. To do some of that it may be we will have to spend, perhaps jointly, some money to improve track.

CHAIR—What about in Queensland? Does it stop at Brisbane?

Mr Gemmell—It stops at Brisbane, as the gauge changes.

CHAIR—Just picking up on Mr Willis's question, if you have a national track access company, don't you have to have the significant three foot six and five foot three lines that are used for the freight cars as part of the system? If you get freight as far as Brisbane, you have as many kilometres again to Cairns as you have south of Brisbane.

Mr Gemmell—Indeed, you do. At this stage we have defined that the national rail highway is getting

to Brisbane, connecting up all the major capital cities, and we have not sought to go north of Brisbane. I have to say, it will be an awfully big issue for Queensland if we did because they are very comfortable with Queensland Rail running operations on their narrow gauge system.

Mrs Beetham—We have provided to the committee secretary a copy of the agreement that was struck between the states. That sets out some of the detail that Bruce has just elaborated on. You might find that helpful.

Mr Gemmell—I have to say it is a negotiated process and the outcome is not by any means perfect, but that is the way it has come out. We regard it is a step forward, without it being the best we would have liked.

Mr WILLIS—In the context of this limited track as defined, how will the private sector invest in the track?

Mr Gemmell—That is yet to be clearly worked through. The Commonwealth has pledged \$250 million to support that track. It could occur simply through the company itself borrowing and making investments where it thinks it can get an adequate return on the investment it makes. Also, you are starting to see private sector operators saying they can see some money to be made in certain areas and certain sections of track.

For example, with the Canberra-Sydney line there are private sector operators who think they can make money and upgrade the track at the same time. And there are certainly people going around Australia with a proposal called an inland rail type proposal which, in essence, involves upgrading track. They think they might be able to make some money through that. It is an interesting concept because if they—

Mr WILLIS—Would that be an extension to the track?

Mr Gemmell—Yes, extension and upgrades. They are talking about massive upgrades and straightening and quality improvements to the track at very significant cost. I think their full proposal costs out at \$10 billion, which is just massive. You are starting to see people thinking they can make money doing that. How it would work—

Mrs CROSIO—Do you think they can make money doing it?

Mr Gemmell—We have a way to go. If they said, 'Look, we'll build a section of the track here and the private sector will pay for it,' they will want a return on that. It is a little like paying a toll for a particular section of track. If you are prepared to give them that toll for that section of track, then they can make money.

The problem with rail is that it is very difficult for the track operator to actually extract out of the operators enough money to recover the costs and to allow for investment in track. In many ways, if rail track was able to fully cover all its costs and generate enough income to invest the appropriate amount in track, you would not really need a government operation there. At the moment it just runs at a significant loss.

I should have mentioned, in response to something else, that the states will also be providing money to the rail track corporation on the basis that where they are running losses on their existing track, they will have to continue to pay for those losses. There is a sting in the tail for them maintaining ownership.

Mr WILLIS—That does not give them any share of the ownership?

Mr Gemmell—No, we have found the shared ownership of National Rail to be quite difficult to deal with in practice. There were not any of the states in favour of a shared ownership arrangement.

Mrs Beetham—The agreement also provides that where one of the states or a private operator does invest in a track, the new track company may come to an arrangement whereby it can own or have control over that new investment for say 25 years and then it is returned. There are ways in which you might accommodate private and/or state investment in the track.

Mr WILLIS—It seems a messy concept to have a national track access company which is supposed to own a dedicated track and then in the middle of that have sections or parts of it which might be owned by somebody else—by the private sector or by the state government or by a track operator which seems to be part of the scheme. I do not see how that all fits comfortably here.

Mr Gemmell—It is not awfully unusual in rail. At the moment it is quite common to have sidings and particular lines into a dedicated BHP port or a terminal owned by them. We can certainly foresee a situation where National Rail might see significant commercial advantage to them from a crossing loop or something and they might be prepared to pay for that. It is an interesting question whether they just pay for it and the rail track corporation owns it or whether National Rail owns it and how that works, none of which is sorted through. We certainly can see the situation where operators themselves will see advantages in certain bits of track being upgraded or altered and are prepared to actually put the money in for that to occur.

Mr WILLIS—Do you see this national track access company dealing effectively with the issues that we were talking about earlier—of safety and differing radio systems and all the operational problems that currently beset the system?

Mr Gemmell—We see it as being interested in helping it along, but its charter is a private company; it is not in essence a government operation. It will not have the linkages to be able to get the states to make changes. It will be another force that will be moving towards uniformity and arguing for it, but it does not seem to me to be an effective mechanism for any Commonwealth-state resolution of the problem.

Mrs Beetham—To come back to the point that the chairman raised earlier in terms of whether we thought we needed a BASI and so on, we are still in the process of determining precisely what structure might apply. One possibility would be that some of the safety investigation element might go into BASI renamed. You could also set it up somehow separately or you could maintain the IGA approach with independent boards of investigators.

Mr WILLIS—BASI just goes and investigates crashes, does it not?

Mrs Beetham—That is right. In terms of setting the actual safety regulations, you could possibly have a different body like the CASA that actually sets those standards. But we did not actually see this track corporation being responsible for setting the standards.

Mr Bailey—Mr Hollis, I would like to make two quick points. The first one is that it is fundamental to any form of safety to keep the commercial element and the safety element separate. We have had some disastrous experiences recently where those two things got mixed together. That is one of the reasons why safety regulation investigation should always be kept as clear as possible.

The other point is that BASI's whole approach is to avoid the accident before it happens and that is why you have the confidential air accident reporting system. There is publication of their reports and that is a particularly important element. Bruce indicated the problems we have with the railways because they are very concerned about the commercial information and how their insurance companies react. The bottom line is BASI makes their reports public. The whole aim is not to apportion blame; it is an educative experience. They collect their reports in a way that they cannot be used in a court of law. They do not require people to sign statements.

BASI investigators will end up in coroners' courts giving evidence, but the report they produce is not necessarily able to be tendered. It will be tendered as evidence, but it is not a legal document in the sense that it is signed off and the evidence is collected in a legal way. If you go down that track, people who think that they may be incriminated at the end of the day will not give you the necessary answers you want. You stop there.

Mr MAREK—Just on that BASI idea, if you have that same system—

CHAIR—I might add Mr Marek is quite an accomplished pilot.

Mr MAREK—Yes, I have been in the aviation industry a while too so I know how it works. It would be good if we had the same sort of thing in relation to rail. We could have guarantees of track condition, legislative powers and those sorts of things. I will particularly look at the coal industry up there in central Queensland. I worked in the coalmining industry for years and the best part of four years ago sometimes you were wondering whether the train was actually going to get to Mackay because they were all falling off the tracks. Maybe if there was an opportunity to ring people like BASI up and say, 'You have got to come and have a look at this. It is atrocious,' there would be an opportunity to have something done about it.

I want to look at another area now. Who is responsible for the quality of service? What is the public perception in relation to transport of freight and that sort of thing?

Mr Gemmell—Safety or in general?

Mr MAREK—In general. I used to have a panel beating and spray painting shop. If I wanted to get a bonnet from Brisbane to Claremont, I would never put it on rail. Not only would it probably not even get there, but it would end up being three or four bonnets.

Look at Senator O'Chee's car. He put his brand new car on rail last year. It got so bent that no-one would take responsibility or blame for it. In relation to the public perception of being able to get a greater market share and more goods, who is responsible for ensuring we have better security for goods that are transported and doing the marketing and addressing the issues so, if you send something, it will get there in one piece?

Mrs Beetham—Basically, the owners of the freight services. In some states that is the government railway. It is also National Rail or SCT or Boxcar. Whoever is operating the service is responsible.

Mr MAREK—I use Senator O'Chee as an example because something happened to him. Say he puts his car on the tracks in Canberra and wants to send it to Cairns, going through different states, what guarantee has he got? Who does he sue, at the end of the day, for when the car got bent?

CHAIR—You are saying: should this business of track access, safety standards and operational uniformity extend to quality control mechanisms as well?

Mr Gemmell—I would say, as Robyn has said, if you put a particular car on a track, you have a contract with someone. It might be a freight forwarder, in which case you are impervious as to how they got there and you could sue them. It might be a rail operator like State Rail, in which case you would sue them. There is a direct relationship between you as a purchaser of the product and them as the supplier—that is, of the transport. With the rail track arrangements, it might have been a track problem that caused the problem. That can be a deal between the rail operator and the track provider. They have their own insurance and liability arrangements.

Mr MAREK—But the everyday guy on the street does not want to know that. All he wants to do is take his car to the rail place down here and then pick it up when it gets to Cairns.

Mr Gemmell—In which case, he contracts with whoever he contracts with for transport, which would commonly be a freight forwarder, and that is the one he serves. He does not want to have to know why it got pranged or it fell off because of a track problem. It all becomes a matter for the rail—

Mr MAREK—He rang them and they said it was not their responsibility.

CHAIR—We cannot get into a particular case here.

Mrs Beetham—In principle, it is not a matter for governments to control. But one of the problems in the rail system that Bruce alluded to is the fact that really nobody cared. There was not a market orientation. There was a rail culture that we do it our way and, if you do not like it, tough. It is still a problem in some areas where, for political reasons and whatever else, some issues really have not been taken head-on—particularly, a market orientation and a custom focus.

One of the big difficulties for NR—and they have really put a lot of effort in and still have some way to go—is market and customer service. I suggest it is because deficiencies in their performance created opportunities in the market for some of the competitors who are now running. They were dissatisfied with the

service they were getting in terms of times of delivery and the condition in which goods arrived. They captured some of the market from NR. They did not capture new growth in the market. They took NR's market away from it through service. That is what privatisation and corporatisation will do.

Mr MAREK—I was trying to get around to the fact that we have so much heavy equipment now, particularly road transport. Talk to the public out there. The everyday person on holidays would like to see less road transport, heavy triple-decker trucks and that sort of stuff on the road. They would like to see them going back to rail. I am just trying to see if there is a possibility to address this so we might be able to start getting the trucks off the road and back on the rail.

Mrs Beetham—I am encouraged by the signs coming out of the privatisation of the AN businesses. As I have said, I am not blindly supportive of commercialisation as a means of fixing everything. But, when in Tasmania we sold the Tasrail system to private owners, there was a much greater desire to work with the client and the customer to find solutions to problems. They are putting a lot of investment in there. They can see real growth in rail, and they will do it through customer service and efficiency. I think that will happen in South Australia as well. I think there will be a flow-on in Victoria, where they are moving to privatisation. I think it will come, and it will come through market forces.

CHAIR—We have about 20 minutes left. I want to manage what time we have because there are some other issues. Before we move off this business of access, I have one very important question that I want to ask—and I will be asking a lot of other witnesses this. Do you have in mind a pricing methodology for access? How are you going to ensure consistency and transparency in that? I think that is a very important question which goes to the heart of this track access business.

Mr Gemmell—That is a key issue for us and for the Australian rail track corporation. That body does not exist today but we hope it will exist quite soon.

CHAIR—Have you done some preliminary work on this?

Mr Gemmell—Yes, we have. Australian National own a significant proportion of the interstate track. They have a transparent, open pricing regime which you can read and from which you can see the price that you will pay. It is a regime that is quite well regarded in the rail sector. The Australian National system will be the basis for which the rail track—

CHAIR—You will apply the methodology right throughout the system?

Mr Gemmell—I cannot say that we will—

CHAIR—Not you personally but the new track access—

Mr Gemmell—It is a matter for them to consider, but that is the type of thing that we would be looking at. There are a lot of different models currently in operation for rail track in Australia. The New South Wales model is essentially one of commercial negotiation with each bidder within limits, with the bottom limit being the marginal cost of providing the service and the upper limit being the full cost of

providing the service, which is, by the way, a huge gap. There is a massive gap between those two. It is not a very effective control of the negotiating parameters. In other cases, there has not been any effective separate track charging regime at all. All of that has to be set down, but we certainly envisage an open, transparent charging regime along the lines that AN have. But we do not control that; the rail track corporation does. But the government is the owner of the rail track corporation.

CHAIR—Will you have a supervisory role, such as a right of veto?

Mr Gemmell—The government will be the sole shareholder of Australian rail track corporation. In effect, there will be relationships that will be able to have some effective control but it will be the normal shareholder-company type relationship.

Mr McARTHUR—I have a similar question. I am trying to get a handle on your assessment of the value of the tracks. We heard some evidence from the New South Wales people, as you reported, and they really had no handle on what the costing would be for track access. Can you comment on how you will value the track? Governments have contributed to the maintenance and the capital structure, unlike roads on which nobody was prepared to put a value. Do you want a return on the capital asset, or are you prepared to write that off and see what the market will bear?

Mr Gemmell—Let me partially answer you and then partially answer in separate bits for the different bits of the network. For the Australian National element of the track—with which we are more familiar because the Commonwealth owned it—they are now looking at an evaluation exercise. From our understanding of what is happening, it will come out to a very interesting result. There is an accounting or engineering assessment that asks, ‘What is the written down replacement value of the track?’ That will be quite a significant sum for Australian National’s track.

There is another calculation that asks, ‘How much can you earn from charging customers for this track?’ I do not know the answer but I expect that will be a significantly lesser sum. The actual valuation of the track is the lesser, according to accounting standards. It is likely that the assessment of what commercial returns you can get on the track will actually determine the value of the track. That becomes an assessment of what the market will bear and how much you can charge for this before rail stops to operate.

It gets worse when you look at Victoria and the other states. Western Australia will probably strike a deal. The track will be owned by Western Australia and certain costs will be charged to rail tracks, such as maintenance costs. They will have to charge to recover that, and they will have to strike a deal as to how much they will recover from the track and pay to Western Australia. That will be done through a due diligence process. There will be similar arrangements with Victoria. We will do a due diligence test to see how much is being lost. We will then try to do a deal with rail track and Victoria as to how much Victoria will pay to support the operations and, therefore, how much rail track has to charge.

There is a similar situation in New South Wales. The answer is going to be pretty complicated. In some sense the charge will be driven by whether you can fully recover the costs of building and replacing a track, which I suggest for most sectors of Australia is unlikely. If you cannot do that, the charging will be driven effectively by what the market will bear.

Mr McARTHUR—What about a bit of national competition policy? Can you have a bit of that on the monopoly position you might enjoy?

Mr Gemmell—Some people argue that. I think it is quite false in the case of rail. If you charge too much in rail, the gear goes on a truck. If you think you have a monopoly in rail, try to get some windfall returns out of it. If you charge too much on rail, it will simply go by another transport means, including by sea. I do not think it is impossible to extract monopoly rents out of rail.

CHAIR—What international performance indicators would you recommend for benchmarking rail in Australia? What have you looked at overseas that you would benchmark Australia against? Or do you think we have a unique set of circumstances and we have to work through it ourselves? For example, there must be parts of Europe in which there are changes of gauge and so on.

Mr Gemmell—That is quite a difficult question. Some of the benchmarking that is done in Australia suggests that Australia has some of the best, most efficient railways in the world, particularly the private operations in the north-west of Western Australia that get vast haulage rates for a driver. As you would expect, long haul carriage of heavy freight is extremely efficient. That is exactly what rail is about. It is very difficult to compare Australia with places like Europe and America, where the quantities of people and products that are being moved are more vast. Nonetheless, we still think you can make some comparisons. They are relatively simple and relatively normal comparisons that you would make of any private operation.

CHAIR—Have you been overseas to look at some of these?

Mr Gemmell—No, I have not.

CHAIR—Have some of your team members?

Mr Bailey—Yes, I have.

CHAIR—Where do you see some of the benchmarking that Australia should be looking at—what countries or what systems?

Mr Bailey—Possibly some of the US systems on heavy haul. I was recently in Canada, and it has a major wheat problem. Again, you have to look at what sort of system is operating. The efficiencies are not always found on the railway itself. For example, it is the control of the grain elevators. In Australia, it has traditionally been by governments, where you have had only one person and therefore you can plan. In Canada and in the United States you have a lot of private operators and it makes it difficult.

We have largely deregulated grain, which has made it a much more competitive system. The other issue is that Canadian hauls are generally longer. The point I am just trying to support Bruce in is that you have to look at the particular circumstances of each state. Central Queensland Coal are getting very close to world best practice as well on a three foot six gauge system. They would shape up very well against any coal haul railway in the world. The other one that Queenslanders tend to compare themselves against is South African coal haul.

CHAIR—Do you have any views on investment in rail? For example, what factors would you include

in a cost-benefit analysis exercise? Who should fund the information gathering and analysis? Have you looked at those areas yet or is that a bit further down the track.

Mr Gemmell—Certainly, the latter one is a little further down the track.

CHAIR—Do you have a view on it?

Mr Gemmell—We are certainly thinking about joint sharing arrangements. The states have to play a part in this as a major controller of rail operations and should reasonably be involved. In terms of investment, it is quite—

Mrs CROSIO—If the states are going to play a part in it, how are you going to define what part they play? Is it only on the rail going through? What they are doing in their own state? We keep coming back to the states' rights and what is happening with the states. The states are not complying. The states have different gauges, systems and signals. How are you going to define that?

Mr Gemmell—It will depend on what we are talking about. For example, we jointly fund with the states a study into uniformity to see what is not uniform basically. That is the information gathering element of that and the report that Robyn referred to.

Mrs CROSIO—It was referred to.

Mr Gemmell—Once you have that, you get to the harder questions. What is different? What are we going to do about that? Who is going to change what and when should we move towards uniformity? What uniform standard are we going to actually adopt? I imagine we would be engaged in some way in promoting that process. But the states will be taking the action that is necessary. It might be a regulatory change in some cases. In other cases, it might get much more difficult in the long term because it might require investment in new technology or changed equipment and so on.

Mrs CROSIO—I would like to take you back to your opening address where you referred to the \$250 million that has now been provided by the Commonwealth government. Can you just define a bit further what you propose to do with that money? Is it over a set period of time? How is it going to be utilised? Is it in conjunction with the states or a contributory factor? We speak about finances and we do not know where we are going.

Mr Gemmell—That \$250 million dollars is over the forthcoming four years. There is nothing in this year's budget.

Mrs CROSIO—So is it proposed for the 1998 budget?

Mr Gemmell—Yes. The money will be used for investment in rail track. Essentially, we see the Australian track rail corporation being a significant contributor to what is spent where. They will do that in consultation with each of the states.

Mrs CROSIO—Existing rail track or new rail track?

Mr Gemmell—Probably most of it will go in existing rail track in upgrades and improvements. It will be in things like sleepering, re-alignment, strengthening, stronger rail tracks and bridges. It is intended to be applied on a fairly commercial basis as those produce significant commercial returns to the rail sector. That is intended to be the priority.

CHAIR—In our issues paper, we got quite a bit of criticism of the stretch from the Victorian border to Adelaide. It was a five foot three inch line that was pushed into four foot 8½ inch. It has never been terribly satisfactory. Is that the sort of thing you are talking about?

Mr Gemmell—Yes, although there may be worse lines than that around. We understand, for example, that the lines north of Melbourne up to Albury have not been significantly invested in for a very long period of time and something has to be done about them.

Mrs CROSIO—This particular bridge is about prepared to collapse, isn't it?

Mr Gemmell—That is right. Rail track is a long-term asset. You do nothing with it for quite a while and it will still operate. But it will gradually deteriorate and after a period of time it is a pretty awful system and it cannot sustain high speed. There are very significant speed restrictions, for example, on that—

Mr MAREK—Who knocks it off? Who says, 'Okay, the train doesn't go over that bit of rail any more'?

Mr Gemmell—Currently it would be the rail safety agencies in each of the states. The major impediment you get—

Mrs CROSIO—And they only look after up to their border.

Mr Gemmell—Yes.

Mrs CROSIO—But of course when you are going over the bridge at times it is between two borders.

Mr Gemmell—Yes. But at any point there will be an agency deemed responsible for that bridge. With all bridges there will be an agency deemed responsible for them. The main practical effect of lousy track is speed restriction. They will slow it down and slow it down. We have some 15-kilometre speed restrictions occurring now.

Do not get that out of context. In some cases, as on a road, you cannot go very fast through the terrain so you are not taking what could be 100 kilometres an hour down to 15 but, nonetheless, the speed restrictions are there. Some stretches could be 80-kilometre stretches but are only 15. That suggests your track is in very poor condition.

CHAIR—Mr McDougall has a couple of quick questions for you and then I would like to wind up.

Mr McDOUGALL—What reasons are there to support or reject the view that a proportion of the fuel excise paid by rail operators should be used to fund rail infrastructure in general?

Mr Gemmell—There are two essential arguments that occur here. I will give you both and leave you to conclude whatever you wish. If you are in Treasury, what you will say is, ‘On the road side we collect taxes and we make a completely independent decision about what we invest in roads. We do precisely the same on the rail side. We collect taxes and take a completely independent decision on what we invest in rail.’ There is absolutely no inconsistency in this. They are both exactly the same systems.

If you were a rail sector operator, however, you might say, ‘On the road side, the National Road Transport Commission has estimated that to recover the costs of trucks, our major competitor, operating on roads they should charge 18c a litre of the current fuel excise. We, the rail operator, pay a rail access fee and we still pay that 18c a litre.’

In their view they pay twice for the same thing and think the government should knock off either the tax or the charge or invest the proceeds of the 18c a litre, which would be about half what the rail sector pays. They estimate they pay about \$150 million a year on interstate operations so perhaps half that should be reinvested into rail.

For those who say that—and plenty do—I say that it is a nice argument but it is not particularly valid. You might also like to calculate what governments actually do put into rail to see whether it does reinvest money of that proportion back into rail. You will find that the government has probably invested dramatically more than that amount in rail over a period of years but the Commonwealth has been a bit ‘one minute we’re investing \$400 million through the One Nation statement and then nothing and now we are back with \$250 million over the next four years and there has been nothing for a few years in between.’ But you will find quite significant investment from governments into rail.

Mr McDOUGALL—Earlier you made a reference to cross- subsidisation. How would you define and cost and fund CSOs? Should there be cross-subsidisation? What accountability arrangements should there be if you do have it? If it was reduced, because I am sure it is there now, what effect would this have on, say, rural and remote areas?

Mr Gemmell—Properly done, when you replace a current arrangement with a CSO, it should have no effect. All you know is what is the actual cost of retaining the operation to the rural or remote area.

I think part of the problem we have in Australia today in terms of rail, particularly in government in general, is that, because we do not have proper accrual based accounts, we do not necessarily reflect the full costs of undertaking operations. For example, you cannot read anywhere in Victoria’s budget where they record a loss on their interstate freight lines. But there will be a due diligence done and we will know next year. We think there is quite a significant loss there because they do not reflect the fact that they are not investing appropriately in the infrastructure and it is running down. That is not reflected. As a matter of principle, you should not pursue cross-subsidisation. If you believe that there is a service that warrants being provided, which will not be provided in the absence of government contribution, the government should quantify that and pay it.

CHAIR—What about urban rail transport?

Mr Gemmell—The same for urban. In fact, I would suggest that, in urban operations, it does happen. But it does not happen through a particularly overt process of saying, ‘We are prepared to pay X million dollars towards the urban operations.’ It happens the other way. The urban operation is run at a X zillion million dollar loss and governments pay that.

If the government was of the view that it wanted to encourage, for broader policy reasons, rail transport in urban areas, it has the capacity to do that through taxation and other mechanisms to affect the commercial market and change people’s movement patterns. That is a perfectly legitimate policy decision.

Mr WAKELIN—In your submission, you talk about competitive neutrality and the fostering of closer integration of transport modes. I apologise if we are going over old ground; I hope we are not. You touched on the fact of being in and out of the rail industry and that type of impact. I agree with you on the point that you were making that the monopoly rent is more a theoretical thing than a real thing. Can you just draw a quick picture of this increasing competitive neutrality in the example that you gave of the argument where you pay for your own track and the trucks pay 18c per litre and how that might emerge and, therefore, go on to draw the picture of how we might see it emerge in fostering a closer integration of transport modes?

Mr Gemmell—The key issue in competitive neutrality is simply to ensure that each of the competing modes, either within the modes—so within rail—or between the modes, particularly road and rail, are treated on an equivalent basis. In the two presentations I gave you of the arguments that exist, one argument says that they are absolutely treated on an equivalent basis. They are taxed and separate decisions are made on spending. That is perfectly legitimate. On another construction, you could say that they are not equivalent because the road sector only pays the 18c per litre for access to the road, whereas the rail sector not only pays the 18c per litre but also pays a rail access fee. That issue will become more significant as private operators enter the market and they become concerned to ensure that the government is not advantaging or disadvantaging them relative to their competitors. They will continue to push that issue until they get a resolution to their satisfaction, where they are content that they are being treated on a competitively neutral basis.

Mr WAKELIN—Perhaps the subtext, or whatever you want to call it on that, is what authoritative study and modelling—with all the wonderful things that can be done theoretically—do we have? Has anyone done the work, firstly, within this country—which would be quite difficult because we have got unique circumstances, et cetera—and, secondly, within, say, the US model, which might give us some understanding of what we might expect?

Mr Gemmell—The best and most recent that we have is a report that came out about two months ago from the BTCE that looked at the issues of, essentially, taxes and charges across the various sectors. We could—and, indeed, perhaps should—provide that to you. The problem that I have with all the discussion on this is that the bottom line of the report says, ‘It is a matter of how you view the current taxing regime.’ So essentially, it is a policy—

Mr WAKELIN—We do have some stuff, but it might be just useful.

Mr Gemmell—We do have some information.

Mr WILLIS—Just touching on the Alice Springs to Darwin railway, the government has committed \$100 million, conditional on South Australia and the Northern Territory putting up \$100 million as well and, presumably, a feasible private sector operation being put together on that basis. Can you give us an update on where all that is at? Have South Australia and the Northern Territory committed \$100 million on the same basis; and where have the private sector discussions got to?

Mr Gemmell—I can give you a sort of update. The Commonwealth has decided to adopt a role that is not particularly close to that, so we are not sitting with or on the various committees that the Northern Territory and South Australia have pursuing it. The Northern Territory and South Australia have set up a corporation: the AustralAsia Railway Company; this is the body that is pursuing this project. Its chief executive is from the Northern Territory, Paul Tyrrell; he is the Director-General, Northern Territory Transport and Works.

There certainly is a formal agreement between South Australia and the Northern Territory. Each will contribute \$100 million towards the project. There is correspondence from the Commonwealth saying that it will contribute \$100 million—‘once you get this project under way and once you find a private sector operator who can build a railway’.

From advice we have from them, they have been out around the world, really, seeking private sector interest in this. Fairly recently the tenders—or expressions of interest, if you like—closed and they are starting to evaluate them. They are talking of having results from that in the middle of next year. At that point, presumably they will pick a preferred provider of this. Then we get down to the serious negotiations of how that will work and when the Commonwealth might make its contribution.

Mr WILLIS—In the government agreeing to make \$100 million available to that project, what regard was had to the rival proposal for a Melbourne to Darwin railway? Is the \$100 million committed to the Alice Springs to Darwin railway, regardless of how the other one stacks up?

Mr Gemmell—The \$100 million is committed to the Alice Springs to Darwin railway. I really cannot comment on the sort of regard had to the alternative proposal.

Mr WILLIS—That is a pretty important issue.

Mr Gemmell—The alternative proposal is not particularly well advanced. It is only recently that governments decided to set up a five-government body to start to evaluate the alternative proposal.

There is a bit of concern in the Northern Territory, for example, about the alternative proposal in that it might somehow reduce the merits of the Alice Springs to Darwin railway. But it is relevant to point out that the alternative proposal on its current routes uses a significant proportion of the Alice Springs to Darwin railway to get into Darwin.

But our best understanding is that it is much more in a conceptual stage and has not been subject to

the evaluations that the Alice Springs to Darwin has, and it is certainly nowhere near as advanced as the Alice Springs to Darwin in terms of getting on with having government endorsements to proceed or a structure to get on and construct it.

Mr WILLIS—If eventual analysis showed the Melbourne to Darwin railway as being a better economic outcome than the Alice Springs to Darwin, would the government transfer its \$100 million, or would it not make a contribution to the alternative line even though it was the better economic outcome?

Mr Gemmell—I really cannot comment on that. It is not overly clear to me that they are actually in total competition with one another.

Mr WILLIS—Do you think both are viable? I think this is a fairly important issue. Your submission does talk about the national transport planning task force recommending that all governments endorse the use of rigorous economic analysis for all major transport investment decisions. What rigorous economic analysis went into this decision to make \$100 million available for the Alice Springs to Darwin railway?

Mr Gemmell—The \$100 million came out of the government's Federation Fund and certainly the Northern Territory—

Mr WILLIS—I know where the money is supposed to come from. But I am asking about the economic analysis that lay behind it.

Mr Gemmell—The Northern Territory undertook what they think is some significant analysis, which they could provide and lay before you to show the benefits and the costs of the project.

Mr HARDGRAVE—But is it not true just to say that this was one of the great missing links of the 20th century that should have been built years ago?

Mr Gemmell—The Commonwealth has had a commitment to build the line since 1911. It is certainly a longstanding commitment and it is a formal commitment. But the question has always been when—and, in some senses, the question is still when.

CHAIR—I think we are starting to stray into asking our witnesses to give value judgments on government policy, which I think is a bit unfair.

In the submissions, on our page 1008, there is an interesting reference, in respect of rail, to the infrastructure investment tax incentive scheme giving support to private sector provisions of infrastructure. In respect of rail, is the infrastructure investment tax incentive scheme giving support to the private sector in reality—not in theory, but in reality?

Mr Gemmell—In reality, no, because the parliament has not passed the legislation necessary to create the scheme. It has been put into parliament and is currently in the Senate. On the government's construct of the scheme, projects that are eligible for obtaining assistance are new road and rail projects—so it is specific. That is one of the issues that is concerning the Senate—that limitation, the narrowing of the benefit. The

other ones that can get assistance are projects that were on the list of applicants for the previous infrastructure bonds arrangements, which are many road and rail projects but also a range of other projects as well.

It is certainly not the case that it is providing any assistance today. But it certainly is the case that it is government policy, assuming that parliament passes the legislation, that it will provide assistance, and the assistance certainly will be limited to new road and rail projects.

CHAIR—Do you see any other impediments to private sector investment in rail that government could address?

Mr Gemmell—The biggest impediment to private sector investment in rail is whether they can make a dollar out of it. That is the major problem.

CHAIR—No, I mean more operationally and—

Mr Gemmell—Certainly operationally—I am not sure how much you can address it. The Canberra-Sydney fast train is perhaps an example of the private sector trying to invest, and it is a very, very complex process. You have three governments who are involved trying to pursue this. The inland rail project would have five governments involved trying to pursue that.

We do not have a well organised arrangement for considering how these things work. We discovered, for example, that there were New South Wales rules for considering how private sector investment conflicted to some small, but not insignificant, extent with the rules that the ACT had for the same thing, and then there was the question of which ones prevailed for the Sydney-Canberra fast train. But we do not have any sort of guiding rules for that.

So there are some impediments to any private sector person trying to deal with interstate operations, because we do not at the moment have governing rules for how they are dealt with, and what are the governing legislative requirements, what are the governing evaluation requirements. How is the whole thing considered?

CHAIR—I think we have gone well over our time. I would thank the three of you for coming today and giving evidence. You will recall that Mr Hardgrave asked a question about the cost of the inefficiencies. You were going to come back to us with that. Could you let us have that?

I have made a note about 'diesel costs'. I would be interested in seeing those too: what has been spent in diesel by the various railways, or excise on the cost of diesel or the proportion of excise in the diesel. Are there any other points that anyone wanted followed up?

Mrs Beetham—It was undertaken to get information on tax and uniformity. We will do a supplementary submission following the receipt of the uniformity information.

CHAIR—If the committee has any further questions, you will provide answers to those in writing for us?

Mrs Beetham—Certainly.

CHAIR—When we have a copy of the evidence from *Hansard*, we will send a copy to you as soon as possible for your review. Once again, thank you very much.

[10.32 a.m.]

JOHNSTON, Mr Bert Martin, Director, Infrastructure and Olympics Section, Infrastructure Branch, Budget Group, Department of Finance and Administration, Newlands Street, Parkes, Australian Capital Territory

PRIOR, Mr Phillip James, Acting Assistant Secretary, GBE Oversight Unit, Department of Finance and Administration, Newlands Street, Parkes, Australian Capital Territory

RICHARDSON, Mr Philip, Assistant Secretary, Infrastructure Branch, Department of Finance and Administration, Newlands Street, Parkes, Australian Capital Territory

CHAIR—I thank the representatives of the Department of Finance and Administration for joining us today. You are the second set of witnesses. Mr Richardson, you might like to give us a short opening statement of about three minutes on your submission.

Mr Richardson—Thank you for inviting us to participate in the public hearing on the role of rail in the national transport network. If I may, I would like to comment very briefly on the role of the Department of Finance and Administration in relation to the rail industry. Essentially, the department has two key roles it plays. One is to decide the programs and activities which benefit from Commonwealth government funding in the budget. Here the focus is on achieving value for money and facilitating informed decision making by the government.

The other key role involves supporting the Minister for Finance and Administration in his role as a joint shareholder with the Minister for Transport and Regional Development in relation to the government business enterprises that operate in the rail industry. These are the Australian National Railways Commission, the National Rail Corporation and the soon to be established Australian rail track corporation.

The majority of the Australian National Railways Commission's businesses and assets have recently been sold, and the Commonwealth shareholding in National Rail is intended to be sold in the near future. Increasing private sector ownership and participation is expected to inject additional efficiencies into the rail industry through innovation, competition and reductions in cross-subsidisation.

I have responsibilities in relation to budget funding in the rail industry—the first of those two key roles for the department that I mentioned—and Mr Prior has responsibilities in relation to the shareholder role that the Minister for Finance and Administration has in relation to the government business enterprises.

As you are aware, we heard the evidence that was given by the Department of Transport and Regional Development. A lot of ground was covered there. Other issues perhaps we could comment on might be the national track body that is being talked about—the objective there being to try to get as smooth and efficient track access arrangements as possible. That raises a range of issues, some of which have already been touched on today: the inconsistency of the operating arrangements between the states, the maintenance requirements for state owned track and the like.

Another issue that has also been raised and that we are interested in is the competitive neutrality between the modes of transport. There has already been some discussion about that. I think with these brief words we could perhaps leave it to the committee to pursue its line of questioning.

Mr HARDGRAVE—As you said, you heard what DTRD said. Why would the private sector bother to invest in anything to do with rail with all these inconsistencies that are currently in the system? What advice do you have for the committee about ways and means of fixing that up?

Mr Richardson—There are, I suppose, a couple of things that could be said about that initially. One is that the private sector does seem to be interested in investing in rail. For example, Australian National's passenger service was sold not so long ago. Despite the fact that AN's financial statements for the last year or two do not look too good, with losses being made, the new owner is confident that, even with the existing state of regulations and circumstances, it can drive efficiencies, be innovative in the way it approaches the business and make it work on a commercial basis. It is putting real shareholders' money on the line here. I think the indications are that, when tested, the private sector are saying, 'We are confident that we can do a better job and be more creative and make this work.'

As for the issue about the inconsistencies and what Mr Gemmell and others said earlier, there is a fair job to be done there. From the Commonwealth's point of view—my colleagues will correct me if I am wrong—they have made it pretty clear that the commitment of its \$250 million over the four years is really contingent upon real advances being made in ironing out some of these problems. It is a conditional offer. The Commonwealth is not saying that it is prepared to put a lot of money into maintaining, upgrading and fixing up the track if the states are not prepared to get together and iron out some of these very longstanding differences, some of which have no justification at all. The Commonwealth is saying, 'We are prepared to support this but only if we see material gains being made and good progress being made in ironing out some of these longstanding problems.'

Mr HARDGRAVE—Do you therefore see a greater return to the Commonwealth if these longstanding problems are ironed out? What pressures are you applying from obviously your key economic perspective to various other agencies to iron out these problems?

Mr Richardson—I guess the principal policy responsibility resides with the Department of Transport and Regional Development. The reason why I focused on the conditionality of the Commonwealth's offer is that the states who own the track and who will control the majority of it stand to benefit a good deal from this money coming forward. We are saying to them that there is a quid pro quo here and this is the incentive from a financial economic point of view that we are offering. We are saying, 'There is a benefit for you, the states. You will be the beneficiaries in large measure for a lot of this money, but we expect to see something for the national benefit.'

Each state in isolation can say, 'We've got our own little regime of regulation in control and that suits us,' but there is a benefit to the broader community in the national interest if we can get the inconsistencies between the states ironed out. We are saying, 'The Commonwealth is prepared to provide some support, but you have to come to the party.' I guess it depends whether one believes that that kind of incentive—the money being conditional on some real improvements—will do the job. I think there is a fairly substantial

amount of money being offered. I am hopeful that the states will come to the party. Also I think there is a recognition by the states—this was touched on in earlier evidence—that there is competition between the modes.

Unless something is done to really face up to the situation of rail vis-a-vis other modes, it is hard to imagine that it can be a really viable industry into the future. Something has to be done. There is an imperative there. The Commonwealth money is being offered on those conditions. Those two things offer reasonable prospects at least that commonsense will prevail and that some very good movement in this rationalisation area will occur.

Mr HARDGRAVE—What sort of role should the Commonwealth be having in a national rail network? Encompassed within that is the prospect of seeing private investment in, say, the provision of track. They probably want some sort of exclusive access, maybe renting access to others in the process. Is that really a very efficient use of that resource or are we as a Commonwealth better off constructing the infrastructure and allowing private competitors to compete on that one piece of infrastructure? As a country, are we going to waste money if we start to see a Darwin to Melbourne line as well as a Darwin to Adelaide to Melbourne line?

Mr Richardson—As Mr Gemmell said in the earlier evidence, the Melbourne to Darwin proposal is at a very early stage. My colleagues might correct me here if I am wrong, but I think the public statements that have been put out by the promoters of that have made a point of the fact that they are not really seeking any Commonwealth investment. They have not applied for Commonwealth money. Their proposition is that the line from Melbourne to Darwin, if managed and marketed properly, et cetera, is a commercially viable operation in its own right without subsidy, which is a different proposition from the Alice Springs to Darwin railway.

Mr HARDGRAVE—To use the communications example, we do not want to see an Optus-like cable roll-out costing the nation \$4 billion or \$5 billion on top of a Telstra cable roll-out costing us \$4 billion or \$5 billion—a duplication of infrastructure. Surely, from the point of view of the Infrastructure Branch of the Department of Finance and Administration, some work would have been done on the economic stupidity of a duplication of infrastructure, no matter how much one particular private investor might think they could earn a dollar out of it.

Mr Richardson—The routes are rather different. As I understand it, the Melbourne-Darwin one focuses on running up the east coast. So it is servicing a different market from the Adelaide to Darwin market. I appreciate the analogy that you are making with the communications and the cable roll-out. There is a difficult issue here. This is the question of the Commonwealth picking winners and deciding what is good private sector investment. The Commonwealth might decide that if it had to have one or the other—and this isn't the proposition—it might go for the Melbourne-Darwin one or the other one. But it is really saying that the Commonwealth knows best what is in the commercial interests.

Mr HARDGRAVE—What I was trying to flush out was not a matter of picking winners or the Commonwealth knowing best. There must be some sort of plan in place. I submit that one of the basic roles of the Commonwealth should be to build infrastructure. In a very sparsely populated, broad nation, we need

that basic commitment from the Commonwealth. Obviously no work has been done on the viabilities or possibilities, or whatever, as far as rail transport infrastructure is concerned—other than what the states do.

Mr Richardson—Historically they have had the primary carriage of rail operations. It seems to me that one of the things the government is trying to encourage is private sector participation. If a private sector operator is prepared to build a line and has done the market research and has decided that there is enough demand there to support and earn a commercial return, is it the government's job to say, 'We don't think you are right, this is not an economic proposition,' and frustrate it?

The opposite is the case. We are saying that if it is done properly and rail can offer a lot of benefits, and if a private sector operator is prepared to put their money on the line and deliver a service where a car is put on on one end and gets off the other end in one piece, then it is not really the government's role to try to override that.

Mr HARDGRAVE—Surely, though, there should be some national planning on this?

Mr Richardson—We are in a sort of transitional phase at the moment where we have moved from a very decentralised model where the states did their own thing and there was not much in the way of planning. We are trying to move to national track access arrangements, proper pricing and competitive neutrality. We have gone from very little in the way of an overview of what is in the national interest, and at the same time we are trying to encourage the private sector to play a bigger role.

Mr HARDGRAVE—They might get it wrong, though.

CHAIR—I think we have explored that area fairly well.

Mr McDOUGALL—I would like to come back to your statement about the \$250 million being conditional and the role that the Department of Finance and Administration and the Department of Transport and Regional Development would play in making decisions in regard to expenditure of capital sums. I take you back to part of your submission where you made some comments about the \$443 million in One Nation. The department came up with a project for Queensland from Acacia Ridge to Fisherman Island where the Commonwealth contributed \$30 million. That finished in November 1994. There has not been a train on it yet. Therefore, one could probably say, 'A bit of a bad investment—not real bright on the Commonwealth's part for picking this to be a winner.'

We heard this morning from the previous witness, as you have heard, that New South Wales really is a bit of a mess and access is still a big question. That whole project was dependent upon access. That is why the thing is not operating—access is not operating. What is the finance department's role and responsibility in respect of saying, 'Okay, it is \$250 million, but what if it does not work? Who is going to pick the winners and who is going to be held responsible to make sure that \$250 million delivers?' The record is not real good.

Mr Richardson—I would have to agree that the record is not very good. The work on the details of exactly what rate, which things can be harmonised and when, et cetera has not been done yet. The issues here touch on something I said just a short time ago. While the regime of moving from where we are now—the

consistency and regulation, et cetera—to something that is very much better is poor, the actual steps along the way, which would be over a period of four years or however long it takes, have not been worked out.

We do not have the national track company established yet. As Mr Gemmell said, it will have some input into the question of priorities and which things are really going to give good value for money in terms of investment, et cetera. So the work there is to be done, but it is a matter for the Commonwealth to come to some agreement about a schedule of things that need to be done and when they need to be done by and, in terms of harmonisation, to make sure that the flow of the funds flows only if the goods are delivered.

If your question is, ‘Are you committed to trying to make sure that we have got something that will stand up on paper and that we will not find, when we look back, that the \$250 million has dribbled out over the period of years and that we have made no material progress?’ the answer from the department’s point of view is absolutely, yes. From my understanding, the government’s statements today have affirmed that this is a good lever that we can move here to try to get some progress. The states have been unable to agree on these things for a long time. We are determined to try to use that money to good effect to get two bangs for the buck: one is making material improvements to the line, which the states will benefit from too, and the second is using that leverage to force the harmonisation that has not been forthcoming for so long.

Mr McDOUGALL—You raise the question of private investment in public infrastructure. We have heard so far, and from the submissions that we have received, that if this national network and what I referred to before as a national highway for a freight line actually comes into being there will be an enormous cost input in respect of infrastructure funding to make this viable.

If the private sector is to be involved in sections of this, will a \$75 million capped taxation incentive be attractive to them? Or, if the government wants private sector money, how much money is it going to put forward itself to be able to fund this sort of infrastructure development that the nation is looking for?

Mr Johnston—In discussions with the private sector regarding the infrastructure rebate scheme, they generally expressed the opinion that they wished it was a whole lot more money and that they will be very eagerly queuing up for the amount that is there.

Mr McDOUGALL—That raises the question: what is \$75 million going to deliver?

Mr Johnston—From memory, they were talking in the order of \$2 billion worth of work.

Mr McDOUGALL—But what is the cost? I think this is a question we asked the department. What is the cost to bring Perth to Brisbane up to an international standard of best practice that is going to deliver the outcome that everybody is looking for? Is it \$2 billion or is it \$10 billion?

Mr Johnston—My understanding is that the main difficulty is the north-south line. From memory, they talked of \$2 billion to \$3 billion in BTCE work a few years back. Transport suggested to me that about \$2 billion would do it.

Mr McDOUGALL—But that \$2 billion has to be shared between roads too.

Mr Johnston—That is \$75 million per year. Presumably the whole railway is not going to be done up in one year and possibly not all by the private sector, given that most of the track is owned by the states.

Mr McDOUGALL—So, on all the figures you have done, you are quite comfortable that \$75 million per annum is sufficient to be able to deliver the outcomes of private investment on roads and rail that everybody is looking for in this?

Mr Johnston—No, I am saying that it is an amount of money which the private sector has indicated will be useful to them. It is also an amount of money which the government has decided is appropriate for it to put towards that function at the time.

Mr McDOUGALL—The question of being useful and the question of delivering the job are two different things.

Mr Johnston—Sure.

Mr Richardson—Perhaps I could comment. The scheme has not started yet, as was pointed out earlier, so I think we are in a pretty speculative area about what effect the infrastructure incentives will have. They have not started yet. The indications are that the response will be fairly substantial from the private sector. I think it is far too early to be definitive about whether it is going to be perfectly adequate, largely adequate or whatever. It is encouraging to see the level of investment that is involved and attached to the sort of money that is anticipated will be provided if the legislation goes through. It has generated pretty substantial interest.

Mr WAKELIN—In your submission, you note that AN made an accumulated loss of \$506.5 million over five years. You note that National Rail:

. . . has reduced losses on interstate freight, but not met the original expectations of financial performance.

You also note that road transport grew at seven per cent while government rail transport grew at an annual rate of about four per cent. I think we would all see that on the roads ourselves and relate it back to those two previous issues.

Further, so I get it over in one hit, the specialised container transport application was unsuccessful in New South Wales. I am therefore talking about the access issue. Can we just deal, in the context of private and public, with the National Rail performance and why it was not financially successful as hoped? I am not aware of what the expectation was, so maybe you could touch on that. Can you also touch on the percentage change from road to rail—obviously, there is a difference. I note the private rail is stable. Finally, could we have some information on the SCT and why the New South Wales government did not see fit to approve it?

Mr Richardson—I might get Mr Prior to comment on the performance of National Rail. On the last question about access, I might ask Mr Johnston to comment, and I will deal with whatever is left.

Mr WAKELIN—Thank you.

Mr Prior—In response to your question regarding National Rail, I unfortunately cannot give you specific details of the myriad of reasons that contributed to the poor performance or the performance outcomes of National Rail.

Mr WAKELIN—I could probably give you two or three. I do not expect miracles, just a general response.

Mr Prior—In general terms, I think National Rail has suffered in the same way that other government owned rail organisations have suffered: the costs of operation have been higher than the revenues that can be generated, and that runs to the sorts of issues that have been talked about previously.

Mr WAKELIN—I thought you might comment on the state systems that they inherited.

Mr Prior—As a contributor to the poor performance? Is that what you are suggesting?

Mr WAKELIN—Yes.

Mr Prior—As I say, there are a number of contributors to the poor performance. Indeed, what they inherited—

Mr WAKELIN—Perhaps I could go back to my original question. What was the expectation? Do you have a perception of what that expectation was? I do not. I am sure the previous government hoped it would improve.

Mr Johnston—I do not have the detail with me, but basically it was intended that the rate of improvement from what was taken over to 'NR best practice', I think the term was, would be a lot more rapid. It was intended that it would happen within a few years. It was also intended that all of the assets—including interstate track, if NR wanted it—would be handed over quite promptly. With the benefit of hindsight, it was a very ambitious program that had been set and it simply did not happen that quickly.

Mr WAKELIN—What about the quality of the asset that was handed over?

Mr Johnston—I was not around that long ago. I do not know that it was so much they were worse than were expected. Everyone knew they were bad. It was just the rate of improvement from that poor base.

Mr WAKELIN—I do not want to get bogged down on National Rail, but I wanted to try to set the scene of what the expectation was. Maybe we can move to the balance between private and public in terms of the freight transport task.

Mr Johnston—Is that the SCT request in New South Wales?

Mr WAKELIN—That is right, but I want to do the transport part.

Mr Richardson—Perhaps I can get clarification of that. Are you seeking a comment on the balance

between road funding and rail funding?

Mr WAKELIN—What I am saying is that we had AN, which was a mess and had \$500 million in losses over five years, and we have National Rail not performing anywhere near its expectation. I am making the point that from 1971 to 1990 your own figures show that rail transport grew at four per cent while road transport grew at seven per cent. I would suggest that part of that was due to those factors that I have touched on. I am just looking for a general comment about whether you would agree with that and whether there were any other additional factors?

Mr Richardson—During the period that you have referred to the rail sector was not performing all that well. Towards the end of that period obviously there were changes. There was the sale of AN and its businesses, the proposed sale of NR and a strategy of looking for more private sector involvement and track access—moving to a more commercial way of running things.

Mr WAKELIN—Perhaps I can ask it in another way. Why has road grown at seven per cent? What have they got that rail has not got?

Mr Richardson—There is a lot of private use of roads. I guess the point I was getting to—perhaps a little slowly—is that there has to be a question where a sector such as rail is not performing well, where a loss is being made and where the deliverables are well less than were expected: what is the solution there? Until you work out a strategy to deal with that, should you just put in more money to something that is already losing money without a strategy to effectively address the problems? Perhaps that has been part of the problem. I was not personally involved at the time, so I am not sure about the deliberations. It seems to me, looking at it now, with the situation that we had with rail, that until a strategy was developed to try to address the losses and the poor performance then putting a lot more money into it might be throwing good money after bad.

Mr WAKELIN—I understand that. What I was trying to say is that in your document you say that road has grown at seven per cent and rail has grown at only four per cent; therefore it would indicate it is going along the same trail. Why does New South Wales not accept the STC submission?

Mr Johnston—The short answer is that you would have to ask New South Wales. My recollection is that the process is not finished. There is still scope for STC to appeal.

Mr WAKELIN—There is a mechanism there, but I wondered whether there was any fundamental obvious reason the STC submission could not be accepted by the New South Wales government in terms of this access issue.

CHAIR—With great respect, I do not know whether this is a fair question for the department.

Mr WAKELIN—Mr Chairman, all I am saying is that it is in the department's submission.

CHAIR—Would the detail you are going to be better addressed—

Mr WAKELIN—Perhaps I will rephrase the question. What options would the STC have in appealing the New South Wales decision?

Mr Richardson—In appealing the decision?

Mr WAKELIN—What things might they look to in terms of the National Competition Council ruling?

Mr Richardson—I think it is a very precise question. I am afraid that I am not well equipped to answer it. The Commonwealth has an access policy. It tries to encourage competition between modes and good competition on the existing tracks. These are not just Commonwealth competition principles; they have been, as I understand it, signed up to by the states. Everyone says that they have a vested interest in having fair and open competition. I am not sure what is behind the objection that was raised or what steps can be taken to have that reviewed or overturned. I am looking at the underlying principles, in that New South Wales and the other states have agreed with the principles that were discussed with the Commonwealth and all signed up to them some time ago. If there is further appeal, then I hope all tiers of government approach it in the spirit of what was previously agreed to.

Mr WILLIS—I will make a comment, before I ask a question, about Barry's question about National Rail and the performance against the expectations. As one who was involved in the original decision, it seems to me that one of the factors that has not been mentioned is that when we took the original decision to form National Rail we had not taken the decision at that time to open it to competition. With the subsequent decision to open it to competition, which of course has developed, then there has been a loss of market share which has obviously had a significant impact on National Rail's overall bottom line outcome. Even though it may have made it more efficient, it has also, with a loss of revenues, affected its bottom line outcome considerably.

On page 14 of your submission you mention that the Bureau of Transport and Communication Economics argued that the benefit cost ratios for road are considerable higher than for rail, indicating that road investment should receive higher priority. You go on to say that with things like B-doubles that is likely to become even more so. In that situation, what is the case for the Commonwealth investing any money at all? Why do we not shove it all into roads and sell off all our interests in rail?

Mr Richardson—Certainly rail can generate a lot of benefits from a Commonwealth perspective. It is a very efficient way to transport certain kinds of goods. It can carry a lot of goods very effectively and safely. There was comment earlier about there being too many heavy trucks on the roads and perhaps an argument that a lot of that would be better dealt with by the rail system. It seems to me that there is a good argument for letting the two modes of transport compete on a competitive basis for the work.

If we tie the contribution that the Commonwealth is going to make—\$250 million—back to harmonisation and the improvement in efficiency that we are looking for in rail, we are trying to get the access arrangements and rail operations generally, including competition for services on the track, to a position where it can make a genuine attempt to compete with road on a fair basis. If there are problems—if, say, trains have to slow down to 15 kilometres an hour—it is things like that, time and cost, et cetera, which

can mean that a lot of stuff will go by road that might otherwise have gone by rail.

It seems to me that the purpose of the investment is to encourage harmonisation and improvements in efficiency and to set the thing up so that we have good access arrangements on the national track and then let that compete. If we can get the cooperation and the harmonisation and if the track access body can work out arrangements with each of the states to get efficient track access so that somebody wanting to move something from one part of the country to the other does not have to deal with a number of different operators, then that is the best chance rail has got to compete with road. If it does do that, we may find that some of the freight now trundling around on tracks on the Hume Highway and elsewhere goes back to rail, and that is better for the rail users and better for the road users.

Mr WILLIS—As a former Minister for Finance, I find it unusual for the Department of Finance and Administration to be arguing to invest money in areas where it is less efficient than others. What you are arguing is that you can invest money in rail and make it more efficient. No-one is denying that. But your submission says that all the analysis by the bureau shows that you would be better off putting money into road than rail because you get better returns. So why are you arguing to spend the money in a less economically efficient way?

Mr Richardson—I think you have to look at where we are in time. The track is there now. It has been established. What we are looking at is what extra money has to be put in to bring it up to a reasonable standard. The Commonwealth has made a conditional commitment in that regard. It seems to me it is a different question. If we did not have a rail system now and the question was whether we continue to invest in roads, upgrade them and build new roads or do we build a national track network from Perth through to Brisbane, the decision model that you would be looking at is rather different.

What we have is a track. A lot of money has been put in over a lot of years. The track is in reasonable condition in some parts and not so good in others. The question is: having got the asset, do you do what the Commonwealth is trying to do, which is put in a bit more money to address the really weak spots in the track to get the condition of the track overall up to a satisfactory level and get the benefits that will flow from that in terms of harmonisation? It is putting the money there as compared with putting money into road. I understand the point.

Mr Johnston—There are also questions of the comparability of the VCRs across the modes and whether the VCRs which have been calculated and referred to by BTCE take into account a broad enough range of factors. At the moment the environmental issue looming as possibly being particularly significant is greenhouse. If it is, that may improve the chances of rail projects.

CHAIR—It would also have the community service obligations applying to some areas of Australia, too.

Mr Richardson—That is another consideration, certainly. My main point in response to Mr Willis's comment was that the decision model that you look at when you have the network in place and you have marginal costs of putting in a bit of extra money to bring it up to a standard seems to me to give a different answer as compared to building new track or new roads.

Mr McARTHUR—As the representative of the Department of Finance and Administration, would you care to comment on the proposition that the Commonwealth might have been reluctant to put more money into rail because of the massive losses on the urban transit systems of state governments? In Victoria, for instance, I think it has lost about \$1 billion a year in the rail network, particularly in the urban systems. Could you be saying that you lose all this money; therefore, you will not make any more capital investment in the rail network?

Mr Richardson—I do not think so. The intrastate operations is a matter for them. They have to finance these operations out of their budgets. The Commonwealth's interest is more in interstate.

Mr McARTHUR—Except the Commonwealth provide states grants and there is a big black hole that is created by the loss making activities of urban rail systems. The Commonwealth in an indirect way is subsidising those losses.

Mr Richardson—Because of its general financial relationship with the states.

Mr McARTHUR—You could run the line—and I am sure politically this is what has happened—that we have given you this money, you have made losses and we are not going to give you any more.

Mr Richardson—I am not sure about the political dimension of it. There is a fair bit of difference between the two operations. They are serving different markets, different purposes. Certainly in the work we have done in the department when looking at this sort of thing we have not weighed up—

Mr McARTHUR—Surely you have had a look at the loss making activities of the urban transit systems and said that, of the total rail network, that is a very big black hole that has been a problem for 30 or 40 years.

Mr Richardson—I agree there is an issue there. It seems to me that you can still decouple the issues and say that, in the urban operations in the states, there is a particular problem there. Mr Gemmell commented earlier about interstate traffic coming through and hitting Sydney and stopping or slowing down a lot. There are linkages between what happens intrastate and interstate, I agree, but I do not quite see that we should say that, because of problems that state governments are having with their urban train operations, that would necessarily—

Mr McARTHUR—I just make the observation that the Commonwealth has never put much money into the rail system per se, but it has been very happy to put a lot of money into the road system—massive amounts of money. I know that is a fundamental question.

Mr Richardson—I think it goes to the history that was commented on earlier. Historically, the responsibility for rail has rested with the states. They have been the operators that own the track and run the trains, et cetera.

Mr McARTHUR—So is the road system, but the Commonwealth is very happy to chip in millions and millions of dollars. Road systems have fundamentally been a state responsibility. There has been some

edging by the Commonwealth for roads.

CHAIR—Following on from Mr McArthur's question, has the fuel excise paid by the rail operators ever been hypothecated by the Commonwealth to rail infrastructure?

Mr Richardson—I do not think it has.

CHAIR—Ever, in your knowledge?

Mr Johnston—Not that I am aware of, but my knowledge does not go back terribly far.

Mr Richardson—No, not in the last few years.

CHAIR—Do we know what that figure is?

Mr Johnston—We could get hold of an estimate of how much they pay.

CHAIR—Mr McArthur makes a good point. For some reason—no doubt there would be a lot of reasons—a lot of money is going on roads. If it has not been hypothecated, then obviously it is coming out of consolidated revenue. Why hasn't the rail system received the same treatment? Has the rail system been any less—

Mr Richardson—Well treated?

CHAIR—Has it not made its contribution to fuel excise and not received a corresponding amount of reinvestment in the track system?

Mr Richardson—It is a complex issue. Certainly, the rail industry pays the fuel taxes. In the NR submission they have made an observation that they benefit from sales tax exemption on purchase of locomotives whereas truck owners, who obviously have to pay the fuel excise, do not.

Mr Johnston—On page 280 of the submissions, NR under 'Sales tax' notes that the loss of exemption would increase costs by approximately \$25 million per annum. Under 'Fuel excise', they comment that exemption from fuel excise would reduce National Rail operating costs by \$27 million per annum. The overall competitive neutrality issue between road and rail is, as was commented by someone earlier, extremely complicated. This bit is interesting. Most of the other submissions I have had a chance to look at from rail operators do not mention the sales tax advantage they have.

Mr Richardson—The point there is that, while the rail operators might say that they have been harshly treated in that they have had to pay this money and, as they see it, they believe that there has not been the corresponding investment, by the same token, they get a tax benefit in sales tax as compared with road operators buying trucks. On the evidence, one just about offsets the other, in terms of NR anyway. It is a very complex issue about who is benefiting to what extent from the tax regime and investment.

CHAIR—I would like to thank you for coming this morning. It is a very complex question. There were a lot of other questions we wanted to ask you. Perhaps we could ask you to come back at some time, or if we require certain information in writing would you be prepared to respond in a like manner?

Mr Richardson—Most certainly, Mr Chairman.

CHAIR—The secretariat will send you a copy of the *Hansard* proof. You can get that back to us when you have made any necessary adjustments. Thank you very much.

Mr Richardson—Thank you.

[11.27 a.m.]

BROWN, Ms Merredy, Acting Director, Greenhouse Economics and Energy Section, Atmospheric Protection Branch, Environment Protection Group, Environment Australia, GPO Box 787, Canberra, Australian Capital Territory 2601

BUTTERWORTH, Mr Robert, Head, Environment Priorities and Coordination Group, Environment Australia, GPO Box 787, Canberra, Australian Capital Territory 2601

McGLYNN, Mr Gene, Acting Assistant Secretary, Atmospheric Protection Branch, Environment Protection Group, Environment Australia, GPO Box 787, Canberra, Australian Capital Territory 2601

CHAIR—I would like to welcome representatives of Environment Australia. We have received your submission. If you have any corrections to that, you might highlight those. Would you like to make a short opening statement of about three minutes, then we will proceed to the questions.

Mr Butterworth—I will flag few points for you. We are arguing for an integrated approach that encompasses all modes of transport—that means pursuing micro and other reforms across all modes. We see some potential for a downside in pursuing one mode of transport in isolation. I want you to be aware of that.

Essentially the environment story is fairly simple in this. As we see it, the linkage is that, if you can get greater efficiency out of rail, that will usually give you greater fuel efficiency in your transport task. From that greater fuel efficiency will flow environmental benefits.

There are a few recent developments that we have been most heartened by, particularly the agreement by state transport ministers on interstate rail reform on 10 September. That agreement promises many things and if they all come to fruition, I think we will achieve fairly significant reforms. There are a couple of things in that which I would flag with you. Obviously there are the issues of micro reform, pricing, infrastructure development and, in particular, the access arrangements. For instance, we have found with electricity reform that it is the quality of those access arrangements, their ability to put competitive pressure on and get new players in the field that really drive reform. You can do so much in turning out the structure but, if you do not have freedom of access for new entrants, reform will not proceed. So it is those access arrangements which we would see as being very important in driving the pace of reform.

There are another couple of pieces of important work that we have looked at in the last little while. They are both reports of the Bureau of Transport and Communications Economics. Their working paper on taxes and charges—which I think is still an area where obviously a lot of work needs to be done—is a fairly important contribution to ensuring that rail meets its full costs and that other major forms of transport meet their full costs as well.

Finally, there is the BTCE report on options for reducing greenhouse gas emissions in the transport sector. A couple of important points emerge from that. It is a rather full volume and it examines many things. One thing we do not want to be lost in all of that detail is that, when you are looking at interstate freight movements, there are only fairly limited greenhouse gas benefits from getting even a very substantial shift of

road freight onto rail. There are many reasons for that, which perhaps we can explore a little later if you are interested, but I think that is an important thing to flag.

Many people feel that if only we can shift that freight task onto rail there will be substantial greenhouse benefits. That is probably not the case. That is not to say you would not want to do that for other reasons, some of which are environmental. There are certainly substantial economic gains in doing that, and there are environmental ones too. You will reduce road deaths and things of that nature.

The story is different in the cities. If we can get a lot of people out of their cars—either not making the trips or making them on rail—there are substantial greenhouse gas benefits. There are also substantial pollution benefits generally. There are parts of the urban task that are pretty intractable and that rail cannot really play a part in. One of the strong growth areas in greenhouse gas emissions is the intra-urban freight—these small vans that run freight around the cities. It is probably not feasible to get very much of that onto rail. There need to be other solutions found to that. That is a big growth area in greenhouse gases, but we do not feel that rail has much of a role to play in solving it. On that basis, I will leave it to your questions.

CHAIR—Notwithstanding the things you have just said, what do you see as the key role for rail in the national transport network? Where is Environment Australia's priority?

Mr Butterworth—We feel we can do a lot more in terms of moving people around cities. Public transport generally can do that. Obviously, you get economies of scale in rail; you get economies of scale in buses and the like. So there are important elements there. Of course, it is not to say that we do not feel there is much to be gained in moving the interstate task onto rail, but it is not for its greenhouse benefits.

CHAIR—You touched on the environmental aspect before. You said that with interstate transport—for example, interstate road transport and interstate rail transport—there is not much difference in the amount of pollution involved. Are there issues within the design of diesel engines, for example? Cars are being redesigned and upgraded constantly and they have pollution controls. Is that environmental aspect applying to new forms of rail, new diesel engines and so on?

Mr Butterworth—I am not an expert on the subject. My understanding is that there have been some pretty interesting developments in diesel engine technology as well. They relate to efficiency; they also relate to removing some of the particular forms of pollution that diesel engines are largely responsible for. Gene might have a better perspective on that.

Mr McGlynn—Diesel engines for rail, which I think is what you are talking about, is not an area that I know that much about. I think there is a lesson in that, with the efficiency of diesel engines, there is a strong economic incentive for road freight operators to invest in efficient technology. Fuel costs are a significant portion of their costs. Therefore, diesel engine technology has to then move on through market forces. I am not that familiar with what is happening on the rail side. Again, I would think opening up that sector to some of these market forces would provide the same sorts of incentives on that side. So by exposing them to those competitive structures, there will be the economic incentives to invest in those things as far as it is cost effective.

Mr Butterworth—A lot of the fuel efficiencies of vehicles relate to areas other than simply the engine design as well. Things like transmissions and the like are quite important. My understanding in the large truck industry is that transmission efficiency is a very important part of improving the fuel efficiency of trucks, for instance. I imagine that is probably less of an issue in rail, where you are trying to deal with lower grades on the track per se. Presumably it applies there as well.

Mr McGlynn—There is work being done on international comparisons of fuel efficiency in transport. One of the lessons that is coming up for trucks, and it would apply to rail as well, is that one of the key differences in fuel efficiency is to do with loading factors. Those countries which have high loading factors will tend to have fairly fuel efficient transport, and those which send around lots of empty trucks or empty trains will have very inefficient systems. Again, supporting that point, it is not necessarily the engine technology which is really the driving factor. There are a lot of other factors involved as well.

CHAIR—There is a feeling in a lot of the submissions we are getting that current government policy tends to encourage people to use road transport to the detriment of rail transport. What is your feeling on that?

Mr Butterworth—Basically, I know there needs to be a lot more work done on that before you can come up with any real answer. If you look simply at things like the use of cars in cities, it is probably fair to say that we do not have very good congestion pricing mechanisms.

CHAIR—Taking that point, we have various types of urban rail systems in the capital cities. Should that be seen as a community service obligation or should the people of those communities be paying a more substantial proportion of that cost?

Mr Butterworth—There are two ways you can go. Clearly it is seen as a community service obligation, and the fact that state governments subsidise rail is a way of reflecting that. In that situation you can approach it in two ways: you can subsidise rail and public transport or you can tax private transport. You are getting a balance between the two. It is obviously a sensitive policy matter but, if you want to influence that modal choice, there are your two mechanisms.

Mr McDOUGALL—Just following on a little bit from that, I was interested in a couple of the charts that you gave us. Basically, domestic passenger task rail accounted for 3.3 per cent of the domestic passenger task. If you take out the urban transport passenger task, there is not much left—in other words, you do not carry too many passengers outside an urban system. I have just listened to your answers in relation to wanting to get either government to subsidise public transport or wanting to tax the person who wants to ride in his car. Who pays at the end of the day? You have got out there a group of people—whether it is in a city or the country—who want their choice of how they travel.

My experience in transport in inner city local government, which supplied the transport—and this goes over nine years—was that no matter how many incentives you gave them, no matter how many intermodal systems you offered them, what price it was, they did not want to use it. If you are going to run into that brick wall, how do you force people? The environment always throws up the questions but never gives the answers. I am looking for Environment Australia to give the answers.

Mr Butterworth—It is certainly true that it is very hard to get people to shift, but some of them do—and the BTCE report does have a chapter about what could be achieved through congestion pricing or road user charges in cities. They have taken what I understand to be the best estimates of the relevant elasticities. Interestingly, there is an equity question about who pays, but they suggest that there are net economic benefits in a better system of user charging for urban transport.

Because that is such a big part of everyone's costs, and everyone does it, even if you get a few people to shift those economic benefits are very substantial. They arrive, in BTCE's analysis, from reducing congestion, reducing travel times, getting people to work and goods to their destinations faster and reducing costs overall because, if you can take a few per cent of the motorists out of their cars, then all the other cars that are still travelling will travel more efficiently. They will use less fuel; they will stop and start a lot less. You get major environmental benefits if you can just shift a few per cent of people.

Mr McDOUGALL—So what you are saying is that, in a rail question, we should concentrate on passengers in the urban areas of the major cities in Australia and forget the rest and let them go back to their cars or aeroplanes. Is that what you are saying?

Mr Butterworth—The greenhouse benefits in interstate rail are still worth having, but you probably would not pursue this reform agenda for the greenhouse benefits alone. You would pursue it for economic reasons and you would take the greenhouse benefits as a bonus. That is what I am saying: it is in terms of motivation. By all means do it—it is worth having, but it would not be the major driving force as we would see it. In the cities, certainly, the priority is getting some better congestion pricing, some road user charges in cities.

I guess the thing we take heart from is the fact that the new technologies of transponders on cars and the like are pretty well there. They certainly will be there and economically feasible in the next few years. There will be a challenge. There will not be that excuse, if you like, for not thinking more intelligently and broadly about the charging options.

Mr McDOUGALL—If I can just expand a little bit further, looking at your chart on domestic freight—and it is jumping; it is going up to 18.2 per cent—if we were to take out the bulk freight, you would not have much left of that 18.2 per cent. Why do we need a national rail network when one considers that the bulk of that freight, that 18.2 per cent, is being carried from point A to point B, very rarely through the whole system from Perth to Brisbane? But, let me suggest, when you look at the map of the rail links maybe from the Pilbara down to the port, maybe from Mount Isa down to the port, maybe from the Newcastle valley coalmines down to the port, and you take that out, you have very little freight left running around. Why would you need to have great infrastructure spending on a freight basis unless you are going to be able to grow that 18.2 per cent?

Mr Butterworth—I am not suggesting you need to do that. I hear people like TNT saying that, if governments can get their act together and get access arrangements in place and do some marginal improvements—make the system work a little better; get a national market so they can write one deal from Brisbane to Melbourne rather than grapple with three state governments—they will shift items that are less of a bulk nature. They will start to move things like cars and cardboard boxes and containers with other things

inside them. Private enterprise is telling us that they will do these things, and I would suggest that we need to listen to that.

Mr McDOUGALL—On that basis then, do you know of any practices in other countries that have resulted in reduced greenhouse gas emissions or improved the urban air quality that you can actually benchmark the Australian system on for both domestic passenger and domestic freight to improve the system—to get the greenhouse benefits that you are after in urban, intra and interstate for both forms—that we are not doing here but that you could recommend the rail authorities should be looking at?

Mr Butterworth—It is probably a fairly broad agenda, but Gene might have some examples.

Mr McGlynn—In the urban passenger task I think there is more evidence in this area than probably on the freight side. There is a lot of evidence around. I guess it is a question of how you are going to apply it to the Australian context. European cities have done all sorts of things in terms of parking restrictions, traffic restrictions and provision of infrastructure which are quite different from what Australia is doing. But a lot of that relates to the fact that the nature of their urban development is quite different as well. They are very high density cities.

It has been recognised for a while that you cannot separate transport issues from the land use planning issues and that an integrated transport land use planning approach is going to be required if you want to pursue these issues. I think that is now recognised quite widely by all governments in Australia. It certainly is part of ongoing discussions over greenhouse response. It is recognised that better integrated urban transport and land use planning needs to happen. So I think there are some key messages there.

There are also some quite clear messages, I think, that one way to shift people out of cars quite effectively is to put on very severe parking restrictions—whether that be through pricing or just absolute bans on parking that some cities have imposed. That will work. It is just a question of how governments choose to pursue those issues. There are a lot of lessons around.

Mr Butterworth—To give you an example, until a few years ago, if you wanted to build a new office building in Sydney there was a requirement on how many parking spaces you had to provide. International evidence would suggest that you would now do the reverse; you would try to take parking spaces out of cities.

Mr McDOUGALL—Just finally, what I am hearing is that it is all about penalties; it is all about putting penalties onto the user, on his existing form of transport, to encourage him to go across to another form that is then going to be subsidised by government to put the cost of infrastructure in. What are your views in relation to the handling of fuel excise?

Mr Butterworth—I think that is a political question that we cannot usefully address.

Mr McDOUGALL—Other departments have some thoughts on it. Haven't you got a thought? Should we be hypothecating fuel excise?

Mr Butterworth—I have had a go at this question before. Integral to it is whether you see it as a form of taxation or a form of user charge. There are arguments either way.

Mr WAKELIN—Why do you say in your submission that the number of no regrets options is limited?

Mr McGlynn—I believe that was in the context of interurban freight.

Ms Brown—That was basically about the number of no regrets options for reducing emissions in the transport sector being fairly limited.

Mr McGlynn—And effectively, either way, a lot of that evidence is based on some work that has been done by BTC. BTC has gone through in a fairly systematic way and looked at a range of proposals that have been put forward at various times to reduce emissions in the transport sector. They have assessed some subsets of those as being no regrets options and quite a few as being non no regrets. I think a lot of that goes to this issue that there are structural issues which affect transport choice, and some of those are difficult to address.

Mr WAKELIN—Therefore, what other factors would you include as no regrets greenhouse measures?

Mr Butterworth—Let me give you an example out of this document, *Safeguarding the future. Australia's response to climate change*.

CHAIR—Would you be able to provide a copy of that to each member of the committee, if not now, later?

Mr Butterworth—Certainly. One of the measures in here is to kick along a rudimentary supply network for compressed natural gas. Compressed natural gas, compared to diesel or petrol, is about a 30 per cent greenhouse advantage. Compressed natural gas is, we think, quite an attractive fuel for these little vans that run around the cities moving intra-urban freight, because they are not travelling long distances, they are confining their operations to an urban area—they are using a hell of a lot of fuel. The reason they do not use compressed natural gas is that there is no network out there and the people who might put a network in have not put a network in because not enough vehicles are using compressed natural gas yet to make it economically justifiable. One of the measures in this document is to find a few areas in Sydney and Melbourne where we can put together a few fleets and a supplier and basically start off a supply network for compressed natural gas. Our feeling is that if you do that you will then encourage other people to start using it. It is quite economical once the supply network is there and people are not running the risk of being stranded when they run out of fuel. And there will be fairly substantial environmental and economic benefits. It is a genuine no regrets measure.

CHAIR—All taxis—or 90 per cent of them—are doing that at present, aren't they?

Mr Butterworth—They are using LPG.

CHAIR—Is it the same proportions there, or is that not as good as compressed natural gas?

Mr Butterworth—In terms of greenhouse advantage it is not as good.

Mr McGlynn—It varies in various ways in terms of how the engines are tuned and things, but basically CNG is better fuel.

Mr HOLLIS—Mr Butterworth, when you were making your opening statement you made a comment about taking heavy vehicles off the road and putting the freight on rail does not contribute very much in terms of greenhouse gases. What was that based on? Has there been a study to prove that?

Mr Butterworth—It is in *Report 94. Bureau of Transport and Communications Economics. Transport and greenhouse: costs and options for reducing emissions*. My recollection is that they were modelling there a 40 per cent shift, was it, Gene?

Mr McGlynn—A forty per cent shift in inter-capital freight from road to rail.

Mr Butterworth—I cannot recall the figure on greenhouse benefits, but we could look it up for you. They are worth having but they are not that huge.

CHAIR—I find that hard to understand.

Mr HOLLIS—That is quite amazing to me. As someone who drives to Canberra and goes past all those huge trucks belching stuff out all the time I just find that figure quite amazing.

Mr Butterworth—My understanding is that it is essentially for two reasons. The trucks are pretty efficient, even compared to rail per se, and that part of the freight task is only a small part of the national freight task.

Mr HOLLIS—But how can you say that they are so efficient when, say, in transporting goods you can put X amount on rail—for example, the transporting of steel, where you can load a rail vehicle with X amount of steel rolls, and to transfer the same amount by road you probably need 15 or 20 trucks, each consuming fuel, each belching that out, to say nothing of the damage they are all doing to the roads, which is another argument?

Mr McGlynn—In some sense, it might be better to talk to BTC about all the details of the work they have done. But the argument comes down to the fact that, as Rob says, you are talking about transport being a relatively small portion of the national greenhouse emission—about 12 per cent. Inter-capital road freight is itself a very small portion of those total emissions. While there is still some benefit in shifting from road to rail, inter-urban road freight is the area where road transport is at its most fuel efficient. That is the most fuel efficient part of the road transport sector, so the benefits that you are getting there are smaller than in other sectors. You also have the issue that rail can get you from point A to point B, but usually when you get to point B you then need to—

Mr HOLLIS—Yes, but that is where the small runarounds come in.

Mr McGlynn—Yes. There is an issue there that rail needs to address. Sometimes by road you can actually take it directly from where you want to go to—

Mr HOLLIS—Yes, that is always an argument.

Mr WILLIS—In terms of the discussion earlier about what is happening with getting cars out of cities, there is quite an extensive amount of information in the latest edition of the *Economist* on this point and about what various European countries are doing to stop access to the CBDs, in particular, as a way of reducing pollution in cities and reducing greenhouse gases, traffic congestion, et cetera. You have two tables in paragraph 5 of your submission. The second one shows that the energy efficiency of government trains in the non-urban area is vastly less than that of non-government trains. Can you explain why that is so?

Ms Brown—It is basically related to the nature of the transport or the freight tasks that the non-government rail networks are using.

Mr WILLIS—It is in Western Australia—metal hauling, iron ore trains.

Ms Brown—Yes, they are transporting high bulk materials like coal and whatever which are amenable to transportation by rail whereas a different sort of freight task might be used on a government freight task. That accounts for it. The non-government freight task is very specific and is tailored to the purpose.

Mr WILLIS—It does not mean to say that if someone comes on the line to compete with National Rail they will suddenly have a magnificent increase in energy efficiency. Is that right?

Mr Butterworth—It might be one of the factors, but it is probably not the most important.

Mr WILLIS—Okay. In regard to no-regrets options for reducing greenhouse emissions—one way to do that being a move to urban passenger transport by subsidising fares—this was not, as I understand it, part of the package that the government put forward in the current Kyoto context. Because there were some regrets—particularly budget regrets, I presume—is this an approach which the Department of the Environment thinks is a feasible option, given that there would obviously be a substantial budgetary impact for the federal or state governments? If the federal government were to run it, presumably it would be at least partly a federal government cost. If it is feasible, then why don't we pursue it?

Mr Butterworth—It is important to recognise that in this document, *Safeguarding the Future—Australia's Response to Climate Change*, these were Commonwealth measures. In putting that together, we recognised that there was potentially a large range of measures that state governments could pursue, some of which would be no regrets. Certainly the states are responsible for the urban transport rail systems. I could not really speak on their behalf. It was certainly put to the states at the recent COAG meeting that there is scope for them to examine measures they could take in their own right to contribute to this.

The other point I would make about no regrets is that there are several sorts of no regrets. Certainly some of the BTE's analysis suggests that there are many things that you can do in a no-regrets framework if you take an economy-wide perspective. That is not to say there will not be losers, and that is not to say you can always find a mechanism for compensating the losers, so you need to be a little careful about how you define those terms. Certainly if you take an economy-wide perspective there are things that we can do in an urban context that are of a no-regrets nature, principally because the costs to individuals of paying these high charges or bearing the subsidies result in benefits to other people in terms of congestion costs, lower pollution, reduced health costs in cities and the like. The costs and benefits are borne by different people.

Mr WILLIS—That is what we want a bit more discussion about. It seems to me that it is too easy to talk about no regrets when there obviously are a lot of problems in implementing no-regrets policies. If someone says to the state governments, 'If you were to do this, this would enable us to reduce our greenhouse gas emissions,' what they see up-front is a big budgetary cost and they do not see much other benefit. But, if it is the federal government that is driving it, the federal government presumably is going to have to face up to paying at least some of that budgetary cost.

Mr Butterworth—Alternatively, you can address it through user charging.

Mr WILLIS—Sure.

Mr Butterworth—You either can do it in isolation or you can do it in combination with subsidies and use the user charging to fund the cross-subsidy.

CHAIR—Thank you very much for that. I am afraid we will have to wind up on that point. I would like to thank you for coming today and giving evidence. You have undertaken to provide us with copies of that particular booklet. Could we have 17 copies please, and could they be directed to the committee secretary, Meg Crooks?

Mr Butterworth—Sure.

CHAIR—If the committee has any further questions, we will provide them to you in writing. We trust that you will reciprocate in like manner. Also, as you are probably aware, we will have *Hansard* proofs of today's deliberations. We will provide you with copies. Thanks once again for coming.

Mr Butterworth—Thanks.

[12.01 p.m.]

AFFLECK, Dr Fred, General Manager, Corporate Affairs, National Rail Corporation Ltd, Level 5, 85 George Street, Parramatta, New South Wales 2150

DUNDAS, Ms Catriona, Corporate Affairs Manager, National Rail Corporation Ltd, Level 5, 85 George Street, Parramatta, New South Wales 2150

CHAIR—Welcome, Dr Affleck and Ms Dundas. Are there any additions or alterations you have to your submission?

Dr Affleck—Only one, for which I apologise. In the header on each page of the submission some people may have noticed it still says ‘draft’. It is not a draft. That was intended to be removed and you can take it from me that it is not a draft.

CHAIR—Would you be good enough to give us a three-minute overview of your submission and then we will move straight into questions to maximise our time?

Dr Affleck—As we came in this morning I was asked by the secretary of this inquiry to say a few words about a number of matters that I had not planned to elaborate on, particularly in this three-minute exercise. Therefore I would like to ask the committee’s indulgence. I will give you a little bit of this verbally, but I would ask that it be incorporated in some way in the records of the inquiry, so that I can save your time and not go all the way through it. It attempts to hit the highlights of the submission that we have given and to update it to some extent, because of a number of matters that have occurred since then.

CHAIR—Are there some points even within that that you would like to highlight verbally?

Dr Affleck—Yes, there are a couple of things. Then I will go on and speak somewhat more extemporaneously on the things that I was asked to talk about as we came in. Thank you for giving National Rail the opportunity to appear here today. This inquiry is an historic opportunity for the committee to really make a difference to the future of land transport in Australia. I would like on behalf of National Rail to congratulate both the present Minister for Transport and Regional Development, Mark Vaile and the former minister, John Sharp, for their foresight in initiating this inquiry and for the other rail initiatives they have taken in recent months. The potential benefits are enormous.

Governments have placed on the agenda this year a number of planned rail reforms which I will not reiterate at this point. I think we are all fairly familiar with what they are, but they are a very major step forward in the reform agenda for rail. I think more has been achieved, at least in terms of resolutions to move forward, in the last six months or so than had been achieved in the previous five years. That is not intended in any way to be an implied criticism of any of the parties over this period. It has simply been a very difficult issue to move for a variety of reasons.

Before I go into the things that I was specifically asked to talk about, I would like to mention a few things about the National Rail Corporation because there is a good deal of information and disinformation

around about the subject. I would like to leave with the committee some copies of our annual report which has just been posted out this week, so it is likely that none of you have copies of this. If I can, I will leave those with you.

CHAIR—We will pass that on to the committee secretariat as an official copy, but could you provide us with 17 copies in all?

Dr Affleck—I think I have a dozen copies here, so I will provide some more copies, yes.

CHAIR—Another five or six copies would be most helpful, thank you.

Dr Affleck—National Rail is close to completing establishment of the company as was intended in its intergovernmental charter to be concluded in February 1998. The transfer of functions and assets nominated by the company is close to completion in line with corporate plans which have been approved by shareholders each year.

An investment program of more than \$750 million is close to completion and that is focused on above rail investment in quality assets to deliver quality service. New assets include a fleet of 124,000-horsepower locomotives built in Australia, new state-of-the-art wagons, upgraded terminals and a new IT system to deliver to the company and to its customers quality information on freight consignments and asset management.

Service delivery has begun to achieve the kinds of standards of quality demanded by customers and aimed at by the company. In the first five months of the current financial year—to the end of November, that is—intermodal freight availability has averaged 92.6 per cent on time, sea train freight availability on time has been 98.8 per cent average during that period, steel-linked trains have averaged 91.2 per cent and, as a result of this sort of performance, complaints from our customer base about the service quality we are offering are a thing of the past. They have not been occurring over the last eight months or so. The influence of the new locomotives on this sort of performance is quite profound.

Productivity has dramatically improved, and some details of this are provided in the submission that we have made to the committee. Much of the credit for this goes to the people who work in the company who are strongly committed to our objectives. A measure of this commitment by all of us was the naming of National Rail last month as Employer of the Year in the prestigious annual Australian National Training Awards, which was attended by the Prime Minister about two weeks ago. The company's third enterprise agreement is being certified this week in the Australian Industrial Relations Commission. That agreement will continue and extend the productivity gains that we have recorded.

The 1996-97 operating result of a loss of \$45 million was \$2 million better than the target set by the board and included in the corporate plan approved by shareholders. Since taking responsibility for the interstate freight business in 1993, where a loss of well over \$300 million was recorded, we have eliminated nearly nine-tenths of the losses recorded in the first four years of operation. These reforms of company performance have been achieved in an environment of growing competition, both from road transport and from other rail operators. The fact is that National Rail is the only government owned rail organisation in

Australia which is currently subject to competition in any significant way, and that is across the whole scope of our business. National Rail has responded strongly to this competition in terms of improved quality of service delivery and sharper prices, while at the same time driving down cost to achieve profitability. So we are beginning to deliver results.

The question is where to from here. At this point, Mr Chairman, I think it would probably be best if I digress onto the other issues I have been asked to cover. Could I leave this with the secretary?

CHAIR—Yes.

Dr Affleck—Thank you. The matters that I have been asked by the secretary to address briefly this morning relate to the reforms that have been going on in the last, essentially, three months—firstly, at the rail summit, which was held in September, and, secondly, at the recent Australian Transport Council meeting in New Zealand that was held about three weeks ago. Let me say first of all that National Rail strongly supports the whole range of reforms that are being announced. It has given rail a very much higher profile in the stakes of the transport industry reform generally, and this is a development which we wholly support.

There have been a number of particular reforms, and I would just like to speak briefly about each one of them. The Australian rail track corporation, which has been announced by the Commonwealth to be a wholly Commonwealth government owned organisation with authority in various degrees across most of the national rail network, we strongly support. Its structure at the moment is somewhat uncertain. Its plans for the future are entirely uncertain because it is probably six or seven months away from formation. So we really cannot comment on that to any great degree.

We have a concern about one aspect of the corporation—I think this arises out of the compromise that had to be done with the states—and that is that there is the potential for organisations like ours to be placed at one removed from those organisations that are actually in control of delivering the track access, particularly in Western Australia and in New South Wales. We have formal, signed, contractual agreements with both of those jurisdictions, both of the railways in those places now, which deliver us substantial benefits in terms of long-term certainty of track access and long-term certainty of prices and conditions. We have been able to work very well with both of those jurisdictions in the day-to-day management of the train paths we have and the slightly longer term management of improvements to the system, and I could give you some examples of that.

CHAIR—Forgive me for intervening here, but I do not quite get your point. Are you suggesting that the corporation will override those existing contractual arrangements?

Dr Affleck—That is uncertain at this stage, I think.

CHAIR—Are you making an appeal to allow you to have direct access to the players or an either/or scenario?

Dr Affleck—The way the new organisation is going to be structured, as we understand it, is that interstate track in Victoria, South Australia and as far west as Kalgoorlie will be under the direct control and

management of the new company. It will operate train control in South Australia. At least Victoria, I think, will continue that. But it will have responsibility for assigning train paths, managing those train paths, maintaining the track and improving the track—all of the essential functions in delivering the access. Where there are problems, where there are issues to be addressed, we can address them directly with that organisation.

In New South Wales and Western Australia, on the other hand, the new organisation will essentially be a wholesaler of train paths which are provided by the New South Wales Rail Access Corporation and Westrail in WA. It is envisaged, I believe, that the contracts that we have with those two organisations should be novated to the new organisation. It would therefore be the contracting party on the other side. Nevertheless, the delivery of the service would still be entirely in the hands of the two respective rail organisations in those states. So, if we have day to day, month to month or more strategic issues to pursue in relation to the track paths that they are providing, we will be faced with an intermediary through whom we will have to deal with those organisations. That is a very major concern to us. The way in which we deal with New South Wales particularly has been very effective, and to be placed at one removed from them will not make it easy to conduct our business.

CHAIR—I understand the point.

Mr WILLIS—Did you say ‘effective’ or ‘defective’?

Dr Affleck—‘Effective’, I think, is probably what I said. One of the things which is outlined in the intergovernmental agreement that was signed in New Zealand is an undertaking by all the parties to put in place within this new company framework some tangible performance incentives for the delivery of train paths. In other words, late trains that are the responsibility of the train path provider will attract some sort of penalty, either to the operator or to the provider of the paths.

Those performance incentives do not exist in any of the existing contracts which we have or anyone else has, to our knowledge. It is extremely important that they are present in the new organisation. We welcome that development, but we are somewhat concerned as to how it might be put in place since it has been virtually impossible for us to negotiate them ourselves.

Looking at the long term, there is a need for this new organisation to prepare a strategic plan for the national rail network. No such strategic plan or anything vaguely approaching it has ever existed in the past. That, I believe, should be one of the absolute top priorities of this new organisation. The fact is that train paths for freight trains are scarce across the network. Notwithstanding the fact that you can stand beside a track and not see a train for an hour, the section lengths are long enough that the paths are quite fully occupied at busy times of the day and of the week. In the Sydney environment, in particular, the numbers of train paths are shrinking as we get pressure on the system from increasing needs of suburban passenger trains.

There is obviously a need for adequate finance for this new organisation and that, I think, is still an area which is somewhat uncertain. The federal government has put \$250 million on the table. There is a pretty widely held view in the industry that that is not going to be adequate. Our view as a company, which we have pursued, is let us prove a viable need for more investment as the strategic plans develop. In response

to that, we would have at least some vague expectation that the finance will become available, either from the private or public sector, to meet genuinely demonstrated viable project needs. We are not jumping up and down at the moment about the amount of money that is on the table. Let us wait and see how that develops.

The last thing I would say about the Australian rail track corporation—and this is covered at some length in our submission—is that there is a need to define the national track network. That has not yet been defined and, in the same spirit as the national highway system has been developed, kilometre by kilometre, link by link, junction by junction, yard by yard that has to be defined precisely, and it is very far from that at the moment.

CHAIR—We had evidence this morning that it went from Brisbane to Perth.

Dr Affleck—Brisbane is a big place. Perth is a big place. Where exactly is the peg, the buffers, that it ends at? What yards does it lead into, what yards does it include and exclude and so on? It is quite a complex question. In our submission I have provided a list of precisely those links in the network which we believe ought to be included. If we are going to get anywhere with strategic planning or anywhere with managing the day-to-day operation of the system, some real precision is required in that area and it is not there at the moment. Presumably, as the company is formed and the due diligence is done, that will emerge, but I put up a bit of a flag on that issue.

Mr HARDGRAVE—You are not going to get private investment in something that is almost a bit of a pig in a poke.

Dr Affleck—That is one major concern, of course. The other is that, if we are travelling with a train on a specific piece of track, we would like to know precisely who is in charge of that piece of track in all respects. It seems obvious, but it has not been obvious up until now.

The second area of major reform intent at the moment has to do with regulations and operational harmonisation across the network. There are a number of issues which are very easy to confuse. A lot of this regulation is going on in the name of safety at the moment whereas in fact it is no more in reality than a method of enforcing a fairly traditional set of regulations and operating standards which vary from state to state. We are required to comply with those.

The regulatory authorities have stepped in and taken up a role in that area under the banner of safety whereas safety is not the issue; it is a commercial economic issue in most cases. The issues are that there is lack of uniformity across the system and, as has occurred in the road transport system since the 1960s and 1970s when they began fixing it, this is a barrier to efficient operation in many instances.

The other issue, which is easy to confuse with uniformity, is that many of the standards are not high enough. We have 20- to 21-tonne axle loads across the system, in some instances 19 tonnes. We need 25-tonne axle loads to operate efficiently. We need longer, heavier and higher trains. In many cases across the network we have all of those things but we do not have them uniformly. Many of those things will be fixed by nothing short of infrastructure investment in removing height restrictions. Some of the One Nation program did that, but there is a lot more required because we can only operate those west of Parkes and

Adelaide. There is a need for longer trains, and we are working on that quite steadily across the network at the moment, and then there is the axle load limitation. The axle load limitation is mainly a barrier to carrying fully efficient loads of steel on the network, which is the main heavy cargo where we tend to mass out before we go out on a volume basis.

There is something of a view in many quarters that what is driving the lack of uniformity is somehow a lack of goodwill or intent to solve the uniformity problem. It is much deeper than that. It is fundamentally an infrastructure problem. We have 22 systems of safe working across Australia. The red-green-amber traffic light phenomenon on the roads: we have 22 different combinations of colours and what you should do in response to them. Road has three. There is a standard set of rules of the road across the country; we have 22 sets of rules. What drives those rules is the capacity of the infrastructure to give the signals to the drivers of the trains and so forth.

For example, between Broken Hill and Parkes—those who were involved in this committee's inquiry into that part of the network back in the late 1980s will remember—there is a staff and ticket system of train signalling and the train has to stop something like 17 times between Broken Hill and Parkes for the driver to get down off the cab, pick up the ticket and push the staff in and so forth. That delays operations on that line a great deal.

In other parts of the network, very advanced technologies are being used. I will give an example of the impact of this. Drivers employed us by in our Junee depot have 10 different systems of safe working that they have to be qualified in and that they have to use every day. Apart from the safety implications of that, it is grossly inefficient. They have to respond to that. It is not primarily an issue of goodwill; it is an issue of the basic investment structure being out of date and unable to handle anything other than what it is doing now.

Another point I would like to make about regularisation and harmonisation is a very important one. Changes in this area, as have occurred in the road transport industry, need to be done in response to a very thorough analysis, both technical and economic, of what the options are. In the road sector, which I had some involvement in, they had the ERVLS study in 1977 and the RORVLS study in the 1980s. They have recently had the new mass limits study by the NRTC. They have subjected these questions of truck dimensions and mass limitations to very thorough economic and technical analysis. So far in the rail industry, we have gone no further than getting the opinions of a few chief engineers and operators as to what ought to be happening. We have to do better than that. In order to get a credible investment program, we have to get that analysis in place. Whether that be done by an expanded NRTC or a new body is open to debate. It has to be done. Otherwise, we will still have a bunch of amateurs playing at the fringes with this.

Competitive neutrality is another term that you will hear a lot about. We have mentioned it at some length in our submission. I will not go into it except to say that it is an area which is still pretty ill-defined. It does not, as some people seem to think, mean an evening up of the balance for rail as a largely government owned sector of the economy. I can think of very few advantages that we have and a great deal of disadvantages that need to be righted. As I said, the funding of \$250 million is a good start, but there will be more needed and let us prove that need.

Privatisation is the last issue that I would like to touch on. It is a necessary development and a development likely to be highly beneficial. It is supported by our company 150 per cent. It cannot happen soon enough. AN was a small start. There are many others in the queue, and we are one of them. Perhaps two things need to be said about that. One is that one can see in the longer run that privatisation is probably the beginning of a very much larger process of restructuring in the industry which will remove artificial state boundaries, which are still there after the AN privatisation. I can see, as has occurred in North America, for example, a good deal of trading of lines, assets, traffic rights, business and customers and so on to get a system based on rational economic lines rather than on political lines, as it has been in the past. That is a terrific development to look forward to. Ten years from now, you will have a whole new set of players in this industry, and the industry will be very much stronger than it is now as a result of that.

The final comment I will make is that, in going into privatisation, it is very important that the entities being sold are structured in a way that makes them the strongest possible players in the marketplace. There is a bit of a tendency to suggest that somehow or other the goodies be divvied around amongst the industry so that we can all have a crack at it. The competition in this industry is between rail and road. Rail needs to have powerful business entities able to conduct that competition. If these organisations are somehow emasculated, spread around, chopped up and divvied out so that various players can get a crack at it, we will not have a rail industry that is worth anything to anyone. As has happened in the past, there are many strong road transport and freight forwarding entities out there. We have to have the same in rail. I think we are moving towards that, but it is an issue that needs to be very high in people's minds as they go towards privatisation. I hope they are useful comments. I would be interested in answering questions.

Mr HARDGRAVE—We are really sunk, aren't we? The rail system in this country is really in deep trouble if we are going to constantly have everything go through Sydney. What is the solution? Do we build more tracks? Do we locate freight terminals well away from Sydney and simply have a spare line literally going into Sydney for specific reasons? If freight going from Melbourne to Brisbane has to go through Sydney, it will never get to Brisbane, will it?

Dr Affleck—That is certainly approaching the situation we have now. You are addressing specifically the Sydney situation?

Mr HARDGRAVE—Yes. It is pretty obvious that, despite the fact that New South Wales government railways run on the standard gauge, which the Commonwealth adopted through parts of Victoria and certainly South Australia and into Western Australia and a little thumbnail into Queensland—despite having that advantage—they are not doing much to assist the overall good of the nation. It is still about the Cronulla to Central passenger train priority. The freight priority and what might be for the national good is being put to one side to get a couple of thousand people to work.

Dr Affleck—It is a very big issue. We have tackled it to some extent in our submission. Sydney is the only city in Australia which has a rail network in which freight trains and passengers trains share the same track. There are some exclusive freight lines in Sydney, but not many, and they need to be protected. About \$20 million was spent on a new piece of railway between Flemington and Rhodes from the One Nation program in order to accelerate the movement of freight trains around that area. That is now also being used by passenger trains. To some extent, its original intent has been lost.

To take the question from a larger point of view, it is true that, because of the growth of passenger services and the need for a very high quality service in the suburban passenger areas in Sydney, freight trains suffer considerably. There are curfews on freight trains during peak hours in Sydney which inhibit the movement of freight trains. The line to Homebush Bay will also be used by trains to the Easter Show and sporting events at Homebush. They are gradually going to create a situation in Sydney where freight trains—I am not exaggerating this—will find it virtually impossible to get through the system until a new piece of infrastructure is put in place at Flemington to give freight trains a passage around it.

In the longer term in the Sydney environment, according to Rail Access Corporation, all up in the neighbourhood of \$500 million needs to be spent in order to create a bypass around Sydney. The bypass would run alongside the existing tracks in most places, but it would be an effective bypass of the passenger system. The first stage of that, which would deliver a very large proportion of the benefits, will cost only about \$150 million. The fix for the Homebush-Flemington-Lidcombe disaster area, which would conflict with Olympics and Homebush Bay trains, would cost only about \$30 million. The proposition you are putting that Sydney is a bottleneck is absolutely correct. It will require some infrastructure to fix. It is very urgent because of the Homebush Bay usage that is about to emerge.

Mr WILLIS—On that point, I would like to take up the comment on page 23 of your submission where you talk about the proposed Chullora terminal upgrading project with this new route via Sefton Junction. You say that, if you do not get the approval needed, any significant delay to this project is going to mean serious disruption of freight trains to and from the south after the start-up of Homebush trains early in 1998. We are almost in early 1998.

Dr Affleck—Indeed.

Mr WILLIS—What is the situation with that project? Has it been approved? How long will it take to put it together?

Dr Affleck—The new terminal, and some of the tracks that are associated with it, will avoid trains to and from the south and west going through this bottleneck junction. It will not solve the problem to the north. The situation with the terminal project at the moment is that we have a development application in which has been called in by the New South Wales planning minister. It goes to a commission of inquiry for advice to the minister on a final decision. The commission of inquiry starts next Monday and I expect its two stages will probably be over by the end of January. Give or take some issues that have to do with creek beds and so forth, I am pretty optimistic that we are going to get that project through.

Mr WILLIS—How long will it actually take?

Dr Affleck—It will take us until about next October or November to complete construction of the siding that will avoid the conflict at Homebush for south- and west-bound trains. What we, the other users of the track and the track provider, Rail Access Corporation, are looking for is a little more flexibility on the part of those who are publishing timetables for the Homebush Bay trains so as to allow the operation of freight trains in a proper economic manner.

I inject that point to repeat the statement made, I think, by the chief executive of the Rail Access Corporation that the freight users through this corridor have legally binding contractual obligations from the RAC and that we are not going to sit by and watch those paths being taken away from us and not do something about it. I think that has got to be handled appropriately.

You are talking about a very large part of the goods that move in and out of Sydney and through Sydney. Freight trains are not an option that you can just play around with; we are talking about the basic economic fundamentals of the east coast of Australia. They carry a lot of freight, and if you shut it out of Sydney for two or three weeks at a time it is going to have huge consequences. I would have thought \$30 million to fix this problem was not a big deal.

Mr WILLIS—Does the \$30 million fix just the south and west or does that fix the north as well?

Dr Affleck—The south and west will be fixed largely by our project at our expense. The \$30 million will fix the north. So it will be completely fixed.

Mr WILLIS—Will 1998 therefore be a badly disrupted year for freight?

Dr Affleck—It has the potential to be, with the proviso that the train services that are proposed to be run out to Homebush during 1998 are fairly minor at this stage. But by the Easter Show of 1999 it will be very serious. The lead time to complete that \$30 million investment is not going to shrink but the time that we have available to fix the problem is shrinking. So there is some urgency involved in it.

Mr HARDGRAVE—The \$30 million fix—a bunch of track in the middle of suburban Sydney—is ultimately going to become part of the Sydney suburban rail network, given past performances. Is that a fair assessment?

Dr Affleck—Not quite, because at Flemington, where the markets are, there are actually four track junctions; it is very complex at that point. The Rail Access Corporation envisages building a couple more pieces of track through a very short span of about 150 metres, I think it is, which will actually provide an additional track winding its way through all of these complex junctions that freight trains will have exclusive access to. That means that the Homebush Bay trains can take the track that is now there and we can keep out of their way.

Mr HARDGRAVE—The other point that you made before is that there are curfews on the use of freight trains. I can relate to that in suburban Brisbane—as I know Mr McDougall can—with regard to the noise from freight trains. Surely, any solution that involves expanding the use of existing corridors that travel through Sydney is itself going to fall victim to potential curfews down the track? Would it not be better—if we were able to do it—to bypass Sydney altogether? The dollars would be used on building more track rather than on acquiring expensive suburban land. We are talking about something that runs through the middle western suburbs or something which just flicks around the inner suburbs of Sydney completely and spur-lines into port facilities, freight yards, Flemington and Homebush from there.

Dr Affleck—A lot of what we are already talking about is not greatly different from what you are

suggesting. The lines do go through Liverpool, Campbelltown and up through the middle western part of Sydney. Probably what you are alluding to is more like something on the other side of the Blue Mountains which goes up the back route and comes into Sydney over a longer distance.

Mr HARDGRAVE—I was not bold enough to suggest that. If I were, to borrow Mr Marek's analogy before, to put a car on the train in Canberra to send it to Cairns—apart from the fact that it has got to get off in Brisbane or whatever—to go through Sydney, it is going to be lost in the mayhem of every other priority under the sun. Surely the trick is to get things out of Sydney altogether?

Dr Affleck—You are right in essence, but there are two or three constraints that probably should be mentioned. One is that a very large amount of freight does need to go into Sydney—and that obviously has to be done in an economically efficient manner—including freight to the port. More and more of the freight needs to go to the port by rail rather than by road because it is clogging up the road system in inner Sydney.

The second thing is that substantial amounts of freight come and go from Newcastle and Port Kembla, a lot of which has to go through Sydney because of the geography of the state. It is virtually impossible to get it out of the state except by taking it over very circuitous routes, and that would not be terribly efficient.

The third thing I would like to say is that, in this instance, the word 'curfew'—with a couple of very minor exceptions—is not a curfew related to noise; it is simply a curfew related to track occupation. In the approaches to Sydney I think it is about 6 a.m. until 10 a.m. or thereabouts—I have forgotten the exact times—when freight trains are prohibited from entering the Sydney system. They have train paths which take them through at specified times. If those times of arrival at the outer limits of the system are later or earlier than those two times, they simply have to sit there and wait. That means that, with a somewhat unreliable infrastructure, a train arriving late sometimes has to sit there for two-thirds of a driver's shift. They just sit and twiddle their thumbs and play cards and watch for the light to turn green.

Mr HARDGRAVE—Or pink or whatever the colour may be.

Dr Affleck—But, nevertheless, even if everything runs to schedule, there is a very large part of the day which is ruled out for the use of freight trains. The fear with the Homebush Bay phenomenon is that those curfews will start at 4 a.m. and finish at 1 a.m. and we will have about three or four hours in the middle of the night when we are permitted to operate. That is a very real prospect; it is not hypothetical.

Mr HARDGRAVE—Again it starts to look as though we should look at that Liverpool option to get some of it out of there. Having the freight handling yards before it enters the Sydney suburban system would make sense, wouldn't it?

Dr Affleck—The other constraint I was about to mention is that the freight terminals need to be in places where the road based users, the industrial users, of those freight terminals can economically get at them. The location of the terminal in Chullora is said to be about optimal. The geography of Sydney is a real problem that we have to get around in various ways. The RAC—and you may want to ask them more detail about this—have a plan for putting additional tracks through the Sydney area which they believe will, over a period of years, unstick the system as long as there is a determination to preserve those lines as freight-only

lines.

Mr McARTHUR—Dr Affleck, I congratulate you on the quality of your submission. I think it is excellent. There are four issues I would like to raise. On the new standard gauge track, there are a number of areas where the speeds have been reduced. That seems an amazing phenomenon to me. What is your response to that? What is the impact of the new locomotives on National Rail's operation? You say that the profitability of National Rail is good—a \$300 million loss to \$45 million. Are those figures really as good as you are suggesting? Some people would suggest that it is not as good as it might be. Finally, industry sources suggest to me that National Rail's customer focus is lacking in a lot of areas—in looking after the customer; making sure his needs are accommodated—and that there is a general disregard for the whole approach in terms of looking after the customer.

Dr Affleck—Can I take those questions one at a time. Firstly, the speed restrictions on the Melbourne-Adelaide track where it was gauge converted: those speed restrictions, which continue long after the line was opened up to standard gauge and which over the whole of Victoria amount to not much short of 30 per cent of the whole track, are a very major concern to us. They are getting steadily worse. On the Melbourne-Adelaide track, they result largely from two reasons. Firstly, there are some places where there are level crossings and some places where there are deficiencies in the basic infrastructure which, because there was not enough money in the One Nation program, were not fixed. Secondly, over a large part of the track in western Victoria, the gauge was converted on the existing timber sleepers and there was nothing done to the formation or the ballast. That track is steadily deteriorating as a result of the non-renewal of that basic infrastructure. The cost to renew it is not huge—I think there are some figures in our submission about that—but, fundamentally, it is simply a long-term track quality problem. We are just as concerned as other people are about it because it is affecting our trains considerably.

The second question you asked was about the impact on our operations of the new locomotives. On a network-wide basis, even though we are just now accepting the last locomotives and we are still ironing out the wrinkles in terms of their performance—they are not performing as well yet as we would like them to, and that is common to all new equipment like this—they have had an absolutely dramatic effect on the performance of the organisation since about May this year. I think there were two months in the early part of this year where our intermodal freight availability was down around 65 per cent. Since May, it has been consistently in the low to mid-90s for 90 per cent on time for intermodal freight, and that is pretty well system wide. The impact of those on the system and the reliability of our services has been enormous. They have also had a huge impact on costs. We are saving many millions of dollars worth of fuel and we will also be much better placed to put driver-only trains into operation because of the equipment that is on those locomotives. There are savings in every respect, and they are proving to be at least as worth while as we projected they would be.

The third question you asked was about financial results. I suppose it is a judgment to some extent as to whether it is good enough yet, but it is in line with the plans that we have discussed with our shareholders and they have agreed to that sort of progress towards those results. There has been a substantial impact on the revenue of the organisation from competition on the east-west corridor, which was not intended to be there when we were first formed—at this stage at any rate. Inevitably, that has led to a big loss of revenue in that corridor. Last year, something like \$40 million in revenue was drained out of the organisation by these

competitors. We are not complaining about that; we are trying to do something about it, both in the sense of fighting back competitively speaking and by reducing our costs.

While we lost the best part of \$40 million in revenue, we reduced our cost structure last year by \$50 million; hence the better result than forecast. Certainly we are not going to stop at a \$40 million loss. We are continuing to push that downwards by every means we can. We are developing new business as quickly as we can, because the intermodal business is very exposed to competition across the whole network, and we are continuing to reduce costs. So the plan is that we will break out into the sun, if you like, some time quite soon.

The final comment that you made was about customer focus. I must say in the last six to eight months or so the comments from our customers have been very good on the whole. I could give you some specific instances of that. There are a couple of customers who are not very happy with us, mainly because they do not think they are getting the rates that they should get, but our rate card is now uniform across the country. There is no discrimination in the rate card. What we are being asked for in some instances is special consideration, which we think is not in the best interests of the industry or the company and we are not about to start quoting rates to people which will result in losses.

As for responsiveness in terms of how we treat customers and how friendly we are to deal with, I speak to a lot of customers and I get very little of that. That is sort of anecdotal evidence. I can outline two recent instances. One is that in the last two months we put in a new information technology system called FreightWeb, and the reaction from customers to that has been universally very positive because it gives them a great deal of new ability to manage their interface with us and we with them.

Another instance is the negotiation we have recently had with the Great Southern Railway to pull their passenger trains—the *Overland*, the *Ghan* and the *Indian Pacific*. The comments that have been made both privately and publicly on the record about the negotiation we had with Great Southern and with the service subsequently provided are very positive. They have said—I do not want to put words in their mouth so I am paraphrasing—we have been a very professional organisation to deal with, they have found the service we have offered has been impeccable and they regard us as far and away the best organisation to deal with. I would venture to suggest you could ask the same questions of some customers who might be appearing. I would be interested to read the answers you get. I do not think it is a problem any more on the magnitude that it certainly once was.

CHAIR—If I could just take you off that point for a minute but onto a related point, what international performance standards do you use for benchmarking, or have you adopted your own?

Dr Affleck—At the back of our submission there is an appendix in which we have compared our performance progressively over the first four years with a number of international, if you like, benchmarks which we have obtained from several sources—BIE, Standard and Poors, and so forth. In terms of the day-to-day, week-to-week management of the organisation, we do not use international benchmarks. We simply use our corporate plans, our train operating plans and so on as the goals that we set ourselves to achieve the specific financial results that we want.

A lot of international benchmarks are derived from systems where the conditions are completely different. I think that has been pointed out by some of the other submissions. The traffic is much denser, the holds are much longer or much shorter, the crewing is different, the fuel costs are different and so forth, which makes the comparison in any detail in a management sense not particularly useful. The outcomes in the long run, where we compare on a year on year basis are, as we have attempted to suggest in that appendix of ours, probably useful just to see how well we are going and where we are getting to.

The BIE has in a couple of its reports reported that our average freight rate is below world best practice, if that is possible. Our revenue and net tonne kilometres per employee are way in excess of anywhere else in the world. That is partly because of the very large outsourcing program. Our figures for wagon productivity and locomotive productivity are in the range of world's best practice for US railroads. I think we are conscious of what they are and we are trying to be in that ballpark, but they are not used for day-to-day management.

Mr WAKELIN—Can I start with labour productivity. You have listed in your attachments the net tonne kilometres per employee. There are factors of three and four, and it varies with each of the USA and Canadian examples. Can you give an insight as to why the variation? What are some of the factors that influence that?

Dr Affleck—This is 'Labour productivity (million ntk per employee)' and so forth?

Mr WAKELIN—Yes.

Dr Affleck—As you say, they are much higher. There are a number of influences on that. One is that we have put the organisation together in such a way that it has a very flat management structure. There are very few in the middle range of administrative personnel. Therefore, our overheads in that sense are very low and the number of people involved is very low. That is factor No. 1.

Secondly, we have better crewing ratios than most of the North American railroads do. In some cases they have up to five people on a train. We do not have any more than two, and we are working in our third enterprise agreement towards one in selected places. That is not reflected in the numbers yet, but that is another factor.

The most important factor is simply that we have outsourced a very large part of our cost structure. For example, locomotive maintenance is entirely outsourced and therefore done by employees of somebody else and we pay a fee. Probably half of the wagon maintenance is outsourced.

CHAIR—Were they formerly part of the Commonwealth structure that hived off—

Dr Affleck—Locomotive maintenance was done in railway workshops and very little of it outsourced, except for some parts of major—

CHAIR—These are old workshops that have been rejigged?

Dr Affleck—Some of them have. But in our case, with the new NR-class locomotives, for example, Goninans, who built the locomotives—and it is a coincidence more than a connection—have a contract from us to maintain those locomotives from scratch. We have no involvement in that, except the fact that they have an undertaking to deliver us locomotive power. If the locomotive breaks down, they replace it for us. So that gets that cost structure outside the organisation and it turns it into a variable cost rather than a fixed cost.

CHAIR—Is there a union dimension to this? Didn't you concertina a number of unions into your operation?

Dr Affleck—In all of our enterprise agreements, starting from No. 1, we took the number of unions covering our operations down to two. Across most of the organisation, it is only one. The ASU has a small membership of clerical people. Overall, the union coverage in the organisation is about 60 per cent of our employees.

Before I came to National Rail, the whole concept of outsourcing in the rail industry was quite anathema to the rail unions, and they fought it hard. Our initial enterprise agreement explicitly provides for it to happen, and we have driven it very hard. In his speeches our managing director mentions a figure of something like 70 per cent of the cost structure being outsourced. We regard that as a very substantial advantage. It has an effect on those figures obviously. In a sense, rather than demonstrating the efficiency of the organisation—I hope it does that to a small extent—it also demonstrates that the figures are fairly meaningless because it depends on the basis you calculate them.

CHAIR—Did you have any union resistance to single driver trains?

Dr Affleck—A lot. That has been the single biggest issue.

CHAIR—How did you bed that down?

Dr Affleck—Fundamentally in three ways. Firstly, during the whole course of enterprise agreement No. 2 we have done research with outside objective organisations on fatigue management, which is a big issue. Drivers are very concerned that when by themselves in the cab late at night or early in the morning they will not stay awake or they will drift off. There are things in the cab—the vigilance buttons and so forth—that provide some protection against that. But the big concern of drivers was that, if they are in a locomotive for eight to 10 hours all by themselves, the potential is that they could have a problem and they don't have a mate next to them to take over when they are feeling a bit drowsy.

We have addressed that issue full on with a number of very credible outside research organisations. At the end of all this we have come up with the fatigue index, which is used in the rostering of drivers to ensure that they are rostered on for a number of hours which is consistent with concepts of fatigue management. I could not begin to describe what this fatigue index is, but if you would like to know more I can supply that. That is the first thing.

Secondly, we have done a lot of work with drivers and the regulatory bodies to determine what sort of equipment needs to be on the locomotives by way of communications and so forth particularly in order that

those drivers are not all alone on the locomotive and they have access to assistance—to control outside the system, if you like—on a very reliable basis. That equipment is being steadily put in place.

Thirdly, we have negotiated a set of roster conditions to do with maximum hours of work which provides some absolutes in protecting against fatigue. For example, in the early stages of EA-3, which will come into force in the next few days, once we get all of the equipment conditions met, between 1 a.m. and 4 a.m., if drivers are on the cab alone, they will have a shift limit of about six hours maximum. They must be relieved after six hours if they have not reached their destination. That is simply to build in some comfort factors.

I am pretty confident, based on the experience of other railways, that we will move away from those sorts of comfort factors, given some time and experience. But drivers in some parts of the country are very nervous about it. We have driven it through simply because it is an absolutely necessary productivity gain.

CHAIR—What has the union reaction been? Has the fact that you are now dealing with only two unions ameliorated problems?

Dr Affleck—Definitely it has, because we have far fewer people to negotiate with.

CHAIR—Is the union working creatively with you on those sorts of issues?

Dr Affleck—They have participated very fully in this fatigue analysis that has been going on. We have negotiated with them over a very long period on this. I think you would have to say that they have been pretty good in the way they have come to the party on this. They have a membership which is very nervous about this. Obviously they have to cater to that. We have some imperatives we have to cater to. At the end of the day, we have come to a compromise for the time being and I am sure we will advance from that over time.

Mr WAKELIN—Moving on from labour productivity, on page 33 of your submission you say that the rates for track access agreed to date have set an effective benchmark of around \$0.03 per gross tonne kilometre. Then you make the point that the access charge for road transport is \$0.005 per gross tonne kilometre for the B-double combination truck. There are some fairly significant factors there in terms of cost. This is one of the first times I have seen this effective benchmark of about \$0.03 per gross tonne kilometre in terms of truck access. Is that a fair rate?

Dr Affleck—\$0.03 per gross tonne per kilometre—or, if you like, \$3 per thousand gross tonne kilometres—is, give or take a little bit here and there, the rate that we pay. It is a bit higher in the west and it is a bit lower in AN and it is a bit lower in New South Wales, but that is the range.

Mr WAKELIN—I think a theme right through this inquiry will be the comparison, which you have made too, particularly between road and rail—whatever shifts the freight task from one to the other, whatever impacts on the costs or the income side of it. So the issue of track access cost is obviously pretty central. I am fascinated with that variation between road and rail. I have not seen it in those terms before. Can you expound on how it comes out in rates per tonne and the competitive factors between road and rail?

Dr Affleck—The rates per tonne for road and rail, where they compete directly with each other, are very similar. Generally rail's rates are a little lower. They have to be to account for pick-up and delivery charges. Obviously, if you have a lower charge for access to infrastructure, it gives you more capacity to earn a profit from the rest of your operations. The way that 0.005 per GTK was calculated for rail was simply to say the same number of net tonne kilometres or gross tonne kilometres carried on road by the means that are stated there—B-doubles and so on—assuming those sorts of utilisation rates would attract a registration fee of that amount of money. It excludes the fuel excise component in both cases.

The effect of that is fairly obvious. We are paying roughly \$80 million for track access across the country per year. We are also paying, from memory, about \$35 million to \$40 million in fuel excise. All of this is in the name of gaining access to infrastructure—certainly the access charge is but there is an equivalent amount being paid by road through its fuel excise for road access, and we pay that too.

A very small percentage change in the amount of access charge we pay will make a very big difference to our cost structure. A difference of a percentage point would add \$10 million to our bottom line and would turn us from an unprofitable organisation into a profitable organisation. It is crucial.

Mr WAKELIN—It seems to be so significant in terms of the rate per tonne and the competitive factor between road and rail. I am dwelling on it because I really want to try to understand the relativities. The way you have expressed it here is the first time I have heard it in that context. It seems to be quite important. I will not press it any more, but I think it will be a recurring theme. Maybe I will seek some extra information on it at a later point.

I think you have pretty well touched on this anyway, although perhaps we should do it in the national sense. As to national safety and regulation—you have touched on it with the fatigue factor of a driver, which is a key factor—who should regulate it, who should administer it and how should it be done? The comment was made earlier here today that we have CASA for civil aviation, so what should rail have? The only other matter I have a question about is the strategic plan. Do you have a couple of points to make on a strategic plan?

Dr Affleck—On the question of safety regulation, it has always been our view that there should be a single national organisation regulating safety on the national track system for interstate operators. There are some issues of overlap with state jurisdictions and intrastate transport that I guess in part have prevented that from happening. To date the Commonwealth has not been willing to take up that role. It need not necessarily be a Commonwealth government role; it could be a national role performed by some jointly formed organisation—although such organisations do not have a very good history. It does need to be national in the sense that there is one set of regulations and one point at which you can get accreditation.

The intergovernmental agreement on rail safety at the moment has provisions for mutual recognition of accreditations, but quite frankly it does not happen. We got an accreditation in Queensland recently by means of mutual recognition, and the extra documentation that was required for Queensland was about that much. That is the extra bit. The other bit was already there. So I do not think there is any doubt that that is an important measure to come. There has been some move towards that in the sense that at the ATC meeting in New Zealand there was an expression by ministers that this was a goal to be sought after. The other

question that you asked was about—

Mr WAKELIN—A strategic plan. I wonder whether you could make a couple of points on it.

Dr Affleck—Our experience in the One Nation program over a period of three years has been that we came into it in 1993 with a shopping list of projects presented to us which we then had to take the best part of a year to try to rationalise into some sort of approach by way of improvements to the national system that was consistent with real priorities. It was a very difficult exercise. It illustrated to us very clearly that there was no strategic plan or anything out there even approaching it at the moment because it was fragmented amongst the states, none of whom had a real interest in promoting this.

The new organisation needs to go back to first principles and do some thorough analysis of two things: one is infrastructure, which is basically deficient in terms of modern design—curvatures are too tight, track structure standards are too lightweight, and that sort of thing—and it also needs to tackle the question of mass and dimension limits so that it has in its strategic plan things like the capacity for double stacking from Melbourne West and other places where it is possible. It needs to include plans over the long term for raising axle loads to 25 tonnes and for raising uniform train lengths to 1,500 metres in some places and 2,000 metres where that is ultimately possible. We have set those things out in our submission. Obviously, as an organisation in charge of this piece of infrastructure, it needs to get itself a strategic plan to have a future view of its role and of the infrastructure it controls. That would be the absolute first priority if I were a board member in such an organisation.

Mr McDOUGALL—You did touch a moment ago on access pricing. Are you satisfied that there is going to be some consistency and transparency in the access pricing process so it will encourage the growth of freight on to rail, on the basis that we get that other infrastructure right? We spend all the money on the infrastructure, but if we do not get the access regime right we have wasted a lot of money because it does not happen and you do not get the growth in rail. In Queensland, we spent \$30 million on putting the rail line from Acacia Ridge to the port in 1994 and it still has not had a train on it.

Dr Affleck—Not quite true, but close.

Mr McDOUGALL—It has had a couple of test trains on it, and it runs right through my electorate. Are you satisfied that that methodology of the access regime is there or is going to be there to achieve those end results?

Dr Affleck—I think the simple answer to that is no, we are not, and I think there are two major areas where it is not. One is the transparency that you have mentioned. At the moment, there is transparency in the regime in the Commonwealth owned track through South Australia into Western Australia and up to the Northern Territory. The other two organisations involved in it—Westrail and Rail Access Corporation in New South Wales—have resisted that very strongly on the basis that they want to price discriminate and they do not want competitors to know what their prices are. We have objected to that very strongly but have not succeeded. Our view is that, analogous with the road transport industry, if you do not know what the price is and you have to go through a long commercial negotiation to get a price—as some of our competitors have had to do—that is a very big barrier to entry.

There is another thing which we are not satisfied about at the moment, and I guess our confidence is pretty limited still, is that we will have performance measures, performance penalties and incentives in the new situation. There are none out there at the moment. We simply take what we get and pay for it regardless of what we get. In our view, that is quite an unsatisfactory situation. With many of our customers, we have penalty and incentive clauses, and we have to pay those regardless of the fact that we get poor service from the rail access providers. It is an absolutely essential ingredient in future contracts, and this new organisation needs to ensure that that takes place.

Mr McDOUGALL—Thank you.

CHAIR—I would like to thank you both for coming today. It was particularly interesting. I thank you for the frankness of your responses too. You gave us a written opening statement. Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The statement read as follows—

CHAIR—If we have any further questions, we will provide those to you in writing. We trust you will reciprocate with a written response. Also, the secretariat will supply you with a copy of the *Hansard* proof, which you can make alterations to and return to us.

Dr Affleck—Thank you. If at some stage in the future of your investigation—which I know is going on for some months—you would like us to come back, we would be very happy to do that.

CHAIR—Thank you.

Luncheon adjournment

CHAIR—As you are all aware, this is a public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform. We are looking into the role of rail in the national transport network. This is the first of a number of public hearings that will be held in the capital cities.

I would like to stress one thing in opening. In addressing the terms of reference, the committee's role is not to lobby the Commonwealth government or, for that matter, any other government in support of individual rail projects or proposals. The committee's role under the terms of reference is to investigate how rail would better operate now and in the future and to report on its findings and recommendations to the parliament. I thought we should make that comment for the sake of clarity. I would like to welcome those present this afternoon who will be appearing before the committee, in particular those from the ACT government, who are now at the table.

[2.09 p.m.]

HORSHAM, Mr Ken, Executive Director, Policy Coordination, Department of Urban Services, Level 5, Macarthur House, 12 Wattle Street, Lyneham, Australian Capital Territory 2602

TOMLINS, Mr George, Senior Director, Strategic Development Management, Australian Capital Territory Chief Minister's Department, Nara Centre, 1 Constitution Avenue, Civic, Australian Capital Territory 2601

CHAIR—Have you any alterations or additions to make to your original submission?

Mr Horsham—No.

CHAIR—I would like to propose that you speak to your submission for about three minutes and that we then flesh out the rest of the evidence by way of questions and responses. Would you like to give us an opening statement?

Mr Horsham—I hope that through the opportunity you are providing this afternoon we can assist the committee with a perspective on the rail implications for access and economic development within Canberra, which is a major regional city. From our perspective, we believe there are four critical issues for the ACT. The first is the continuation of viable multi-modal transport connections, particularly where our rail infrastructure needs improving. The second issue that is of importance to us is our capacity to integrate transport systems. The third issue is one of competition between those systems and comparisons between investment in improving road transport and improving rail transport to Canberra. The fourth issue is facilitating private sector investment in improved transport services.

Our government's objectives are twofold. They arise because we do have economic and employment changes in the city and they are such that we must search for alternative economic development opportunities. Ensuring that our transport systems support these initiatives and effect improvements in efficiency of transport systems are keys to the future of this city. To give a concrete example of the opportunities, perhaps I could outline a series of related developments which are being pursued and which demonstrate in a practical way the links between these objectives and your inquiry.

Firstly, as you know, we are putting considerable efforts into the creation of a very high speed train service and connection to Sydney. Secondly, there is what we believe to be a related development, and that is the privatisation of the Canberra airport. The third element is the development of the Majura Valley, which is the valley in which the airport sits, and the road transport links between the Monaro and the Federal highways and proposals to connect those two highways via that valley, which is an area where we also believe the favoured very high speed rail route ought to be.

What we are really saying is that there is an opportunity within the ACT to integrate our transport systems and create for this region a major transport hub. Much of the work that I have just outlined is being advanced through facilitating private sector investment. The very high speed train depends upon cooperative arrangements between three governments—Commonwealth, New South Wales and the ACT—but it will only

occur with private sector financing and management.

We are pursuing at the same time as these transport developments an environment technology development zone in that same area as well as advanced technology manufacturing estates. We believe the linking of those two developments to the transport systems of the region are crucial to that economic future for the city.

For the very high speed train, from our perspective, clearly access to Sydney is the key to that project. It is a similar issue, I believe, to freight access into, out of and through Sydney. Some of the issues that are outlined in our submission have, to some extent, been overtaken by subsequent developments since that submission was prepared, including the proposed creation of the Australian Rail Track Corporation which at least will secure improvements for freight. Our ACT principal interest, however, remains passenger services to the city and the successful introduction of a high speed train. We would be happy to brief the committee on progress with this project. We note that you are exploring issues with at least two of the project proponents.

CHAIR—Beginning where you left off with the high speed train project, you say that it is predominantly a private sector project which will have no net cost to the ACT community. If that is the case, then where is the ACT government's contribution?

Mr Tomlins—The ACT government has been working on this project for a number of years. There is quite a bit of facilitation required. One of the difficulties with rail projects has been the facilitation of low cost access. I think you have been given evidence of the encumbrances that are affecting freight. Similarly, there are problems with private rail access. We have been involved in working with the Commonwealth and the New South Wales governments in essentially creating the organisational and—

CHAIR—But this is a bit different from anything else we have heard. In all the others, there have been existing tracks to which people have been seeking access under some sort of uniform regime or a variation on that. In this instance, to accommodate the fast train the track itself has to be upgraded, and not just for the sake of the fast train but, presumably, for all trains that travel that track. It is a bit different, isn't it? The scenario is somewhat different. Will your government be pressing for a period so that the successful tenderer for this track will have some period of exclusivity? If a second operator were to come on the scene and seek access to the track, what would the attitude of your government be then?

Mr Tomlins—The issue of access is ultimately one for the ACCC. Essentially, the opinion of the ACT government is that rail access to the ACT is the least effective transport mode at the moment. There is a great need to bring that up to reduce business costs and recreation and leisure costs. That is our focus—to have the service in place. The access arrangements associated with that have not been worked through. The framework is the ACCC framework. We do not really have any advance on that at this stage.

Mr Horsham—Whether there can be access to the track would depend upon the nature of the proposal of the successful proponent. Some of the technologies that may be offered may well be exclusive use and exclusive routes.

CHAIR—What is the ACT government's attitude to the community service obligation? Do they see the fast train itself as a community service obligation? What is your general attitude to community service obligation?

Mr Tomlins—The community service obligation issue is one that, again, has not been worked through in totality because it will depend on the sort of train that is provided. For example, if it is at the slower end of the range using the existing infrastructure, or a fair proportion of the existing infrastructure, it may well be able to provide a range of services that can pick up much more of the community service obligations that are currently using the rail than would be the case if it is one of the newer ones or perhaps, say, the MagLev. It would not tend to stop at as many points along the route.

What I am saying is that there is a different technological issue there. The amount of community service arrangements that it could naturally pick up would change. There would have to be a negotiated arrangement for community service obligations. The government's position is that that is one of the issues that will have to be negotiated with the successful proponent.

Mr HARDGRAVE—How are you going to get a very car oriented community like Canberra to use a train to Sydney? Most people drive between Canberra and Sydney. Why will they change? What sorts of incentives do you have in mind to get them to use the train?

Mr Tomlins—Because this is a private sector project, that problem is ultimately one for the private sector. The sorts of demands and the sorts of issues that the community will be considering are associated, firstly, with the business market—those people who drive to western Sydney or to Sydney for a day trip for business meetings. We imagine that the train will compete quite strongly for that business. Surveys have shown that quite a deal of the leisure travel is also time dependent. So the train should compete fairly strongly for that market as well. Even so, various studies have shown that with a train in operation the automobile will still be carrying the majority of traffic between Canberra and Sydney.

Mr HARDGRAVE—The other problem I would envisage, and we have had plenty of evidence this morning about the Sydney train bottleneck, is that a proposal like this only adds to the already existing pressures in and around Sydney. What work have you done to look at ways of alleviating that? If you have not looked at that, what about the cost factors involved in more dedicated lines around Sydney for express passenger train services?

Mr Tomlins—There are a couple of issues. Some work has been done but that work has not been released at this stage. Certainly, the southern entrance into Sydney is currently congested. It is a problem for a new mode such as the high speed train, as it is for freight. It may well be that a combined solution could be dreamt up or proposed by the proponents. I suspect different proponents will propose different ways of handling that, but it is true that it becomes a major problem if one of the high speed trains gets to Campbelltown and then has to slot in behind an all-stops suburban rattler.

Mr HARDGRAVE—And that is the sort of problem you face really, isn't it?

Mr Tomlins—That is right. The chairman was talking about new rail. One of those areas of new rail

construction would be in the Sydney entry, I suspect.

Mr McDOUGALL—From some evidence we had this morning—and these figures are from 1994-95 but I do not think they have changed very much since—the domestic passenger task for railways in Australia at the moment is 3.3 per cent of the mode of transport. Even when it goes to freight, it barely climbs to 18 per cent. I understand your comments that you are also trying to service an area, but I come from the city of Brisbane, which demands public transport but the public do not use it. Where does this new found idea come from that people are going to catch that train? How are you going to convince them to get on that train? Where is the great demand? Where is the need to be able to obtain your share of 18 per cent of freight Australia wide—which predominantly would be commodity products such as wheat, coal and iron ore? It would come down to general freight very little. Where is the driving force that will create all this demand to pay for this big expense?

Mr Tomlins—The 3.3 per cent would represent a 50 per cent increase on the Canberra-Sydney rail route. It is only about two per cent of the corridor volume. I think at the moment the train takes four hours and seven minutes to travel between Sydney and Canberra. We have proponents talking about the train taking one hour to two hours—some are talking of 2½ hours. That is a dramatic improvement. In fact, that will have a major impact on and will be competition for air travel. There are something like 950,000 trips between Sydney and Canberra on the airlines. Historically, some of those have been shown, in places like France and Europe generally, to move to train. In fact, many of the combined transport nodes such as Schiphol, Scharsterbrug and those areas around Europe are moving their trips that are shorter than two hours from air to rail. They are getting the air services out because rail is competing very strongly. There will be a large component that will come that way.

The other demand will come from very time dependent car travellers who feel that the \$300-plus they are paying to fly to Sydney is not worth it. There will probably be a 20 per cent to 40 per cent potential induced demand. With a new road or a new air service, people will come out of the woodwork. This can happen in a number of ways. I will give a couple of examples. We already have consultants in Canberra who are working on the design of the Olympic site. I suspect many of them, being able to work on the train, would use the train to go to their meetings in Sydney rather than drive there and back by car.

There is also the potential, in combination with the new international designation of the airport, for us to get tour packages to land in Canberra and then travel to Sydney by rail after spending perhaps a day or half a day looking around Canberra. That would be cheaper for the wholesalers in places like China, Japan and Asia because they could fly into Canberra more cheaply and they could get the slots in Canberra that they could not get at the Sydney airport. If they stay overnight here, they will get the same quality of accommodation for a cheaper price than they would in Sydney. They can vary their package. There is a whole host of ways in which I think the demand will develop. I suppose the practice and experience is essentially in Europe for that.

Mr Horsham—Clearly, the proponents of the high speed train link between here and Sydney are going to have to very carefully assess the implications of the Sydney airport in terms of the current levels of commuter access into that airport and whatever replacements might occur. I suspect that will be the core of their business.

Mr McDOUGALL—I suggest that, when you start talking about numbers on planes, you should talk about numbers on planes between Sydney and Canberra, not the whole of Australia to Canberra.

Mr Horsham—Sure.

Mr Tomlins—Ninety per cent of passengers from Canberra airport go either to Sydney or Melbourne at the moment. That will change with privatisation because the airlines tend to channel people, as I suspect you know, through Sydney. They do not provide direct flights at the times when people always want them.

Mr McDOUGALL—In relation to the local community and the local area, what are the multimodal considerations being given to be able to connect that train to the district?

Mr Horsham—One of the issues associated with whoever purchases the ACT airport will be what feeder services they may want to encourage and operate under a privatised airport model. That is one uncertainty about what will happen once that airport is sold, because I think there is some potential for some changes in the pattern of how the transport systems operate in the ACT.

Mr McDOUGALL—If you were to go ahead with this, there would be some changes in the infrastructure that is based in Canberra and that comes into Canberra. What are you planning to do with the land use around the infrastructure that you will change?

Mr Horsham—In my opening remarks I was talking about the Majura valley. Our government's preferred route for the very high speed train is down the Majura valley, with the major terminals located next to the airport. The Majura valley would also be our desired route for a connection between the Monaro Highway and the current Federal Highway. That corridor will become a major transport connector. At the same time, that area will provide the government with an opportunity to consider industrial and other freight related services as part of the reinforcement of those transport corridors for the region.

Mr McDOUGALL—Finally, what will be the growth in the population of Canberra in the next 20 years?

Mr Tomlins—Those figures have been changing dramatically over the last few years. I do not know that there is a 20-year forecast available at the moment. As I understand it, I think the forecast growth rate is about one percentage point or perhaps a little higher.

Mr McARTHUR—What are you claiming the population is now?

Mr Tomlins—About 300,000 in Canberra, plus another 20,000 or so in Queanbeyan. A region of about 550,000 to 600,000.

Mr McARTHUR—That is interesting. So 320,000 in total.

Mr WAKELIN—In terms of your submission to the inquiry of the Standing Committee on Economic Development and Tourism, I see Mr Carr identified that the HST should be at no net cost to taxpayers. Can

you expand on that a little bit, please?

Mr Tomlins—Yes. The proposal there is that, essentially, this project should be of a net benefit to the community. It is not that there would be no cost at all to taxpayers but that there should be in benefit cost terms a positive contribution coming from the project by way of benefits to the economy, to the regions or whatever. So there will be essentially a benefit cost analysis done. If that comes up positive, then that criterion is met. The analysis will also be looked at in financial terms. So what is proposed to be done is, if you like, a financial test and an economic test.

Mr WAKELIN—I note the Chief Minister's comments about the project being built, owned, operated and financed by the private sector.

Mr Tomlins—Yes.

CHAIR—Just relating to that question—I am not wishing to butt in—why does the ACT believe the build, own and operate model is preferable for the high speed train? What is the reason behind that?

Mr Tomlins—Essentially, we are keen to have a project that is viable and is demonstrated as being viable on its own feet. We feel that the build-own-operate model is a way in which that can be demonstrated. With railways around Australia being privatised, we feel that to build, own, operate and transfer is going in the opposite direction.

Mr WAKELIN—I was trying to draw out the two and trying to understand no net cost to the taxpayer. I think what you are saying is that you would need to do your analysis to show where you thought that would happen. There are two or three things that stand out in that. I remember a report done on the Alice-Darwin railway where it was shown that it was not viable for a range of reasons back in the early 1980s.

Mr McARTHUR—No change.

Mr WAKELIN—Mr Chairman, give me some protection from these people around me. I will have to take the interjector on my left in hand. But in that case the road transport costs were not taken into account. I presume by 'no net cost', you are referring to a whole range of criteria?

Mr Tomlins—Yes, we would certainly argue that environmental pollution, road accidents, road congestion and similar considerations for places like Sydney airport should also be part of that consideration. We are arguing that there should be the right pricing signals between the modes and that that should be looked at as part of the no net costs consideration.

Mr WAKELIN—Thank you.

Mr McARTHUR—I was confirming the good sense of that earlier report, Mr Chairman; I was not interjecting. The key element of the earlier very fast train proposal that I received a briefing on seemed to be that it moved from two major centres of population—Sydney and Melbourne. There were two tracks and the

trains moved at regular intervals both ways. The key element was that you had two major centres. How do you justify your proposal on the fact that you have got one population centre of four million and another population centre of 320,000?

Mr Tomlins—There are a couple of issues there. One is that, when centres are much closer, there is a greater degree of movement between centres. So there is a balancing. Travel does tend to drop off with about the square of the increase in distance. So there is a much greater degree of travel between Sydney and Canberra than there is between Sydney and Melbourne on a per capita basis.

The other issue is that Canberra is not like other Australian cities—I was going to say ‘unnatural’ but I will not—in that there is much more business and government related travel to Canberra. People simply need to come here for a greater range of reasons from all over the country, certainly from Sydney, on a far higher per capita basis because of the importance of government as a component of Canberra’s range of economic activities. So that gives many more business travellers and generally much more travel. Of course, the range of business that is done by the Public Service means that there is a lot more travel out of Canberra on a per capita basis as well. The higher earning rates also create a greater propensity to travel.

I suppose the other test is that the initial private sector proponents and the whole patronage issue will be a risk that is taken by the private sector, not by governments. The private sector proponents decided that the Canberra-Sydney link was one that should be looked at in preference to the full link through to Melbourne.

Mr Horsham—Those proponents might also put to this committee that the Canberra-Sydney leg is, in fact, the first stage of a Sydney-Melbourne service.

Mr McARTHUR—Have you had some genuine expressions of interest from the private sector on this proposal?

Mr Tomlins—Definitely.

Mr McARTHUR—Do you think they could go ahead with it?

Mr Tomlins—Yes. If I could explain, there was the very fast train proposal in the 1980s. Then Speedrail Group Pty Ltd—I believe they are appearing before you—applied to the ACT government, the New South Wales government and the Commonwealth government to be able to do a feasibility test. That feasibility study was done by them, and the three governments contributed \$50,000 each towards that study. It was based on a number of surveys and various costing. The engineering studies and the full range of feasibility studies showed that the project was feasible. The three governments met, had some studies done and, following that, agreed to call for private sector expressions of interest and to run a process leading to the selection of a preferred proponent.

So that process is now under way. Six consortia have been short-listed from the expression-of-interest phase. They have now until 15 March to put in their proposals to the three governments. A project control group will then make recommendations to governments within about two months, and the heads of

governments indicated that they would respond by about 15 June. A preferred proponent or proponents would then be selected to get involved in detailed negotiations with governments on the project.

CHAIR—You say in your submission:

The development of a competitive national passenger network should be part of the reform process, which has largely focused on a competitive national freight network.

What is your reason for saying that?

Mr Tomlins—The Sydney-Melbourne corridor, as we have talked about, is a very important corridor. Overseas business costs are reduced compared with Australian business costs. The community has a greater range of travel options because passenger rail is a feature of those communities. Given that proponents have been coming to us saying that they can provide a passenger service between Canberra and Sydney, we believe that all levels of government, including the Commonwealth level, should be looking at the issue of a national passenger network at least between the major capitals.

We are asking business to compete on a world's best practice level. To do that, we feel they need world's best practice in infrastructure. Passenger rail is a component of that. We also feel that there are some synergies between improvements that can be made to the freight network being picked up by the passenger network. If they work together, there may well be economies that can be brought to bear by having both passenger and freight contributing to the infrastructure.

Mr MAREK—How much would it cost an individual to be able to travel on this train? Have you worked out how much that would cost?

Mr Tomlins—Yes, the different proponents are essentially saying that they will have different cost structures, obviously depending on how much infrastructure investment they are going to put into it.

Mr MAREK—What about the ticket cost? Would it be \$5, \$10, \$20, \$30 or \$50?

Mr Tomlins—No, the faster option is half the cost of airfares. So it is about \$75 one way. Some of the proponents have talked about it, but others are keeping their powder dry.

CHAIR—I would like to thank you for appearing before us today, Mr Horsham and Mr Tomlins. If we require any further information, I trust you would be willing to give it to us in writing. We will write to you about that if we need any more information. The secretariat will also send you a proof copy of the evidence given today.

[2.43 p.m.]

LAIRD, Associate Professor Philip Glencoe, Keiraville, New South Wales 2500

CHAIR—Dr Laird, thank you for making time available today to give evidence before the committee. In what capacity do you appear?

Prof Laird—I appear before the committee in a private capacity. However, I have drawn on the resources of my employer, the University of Wollongong, to undertake the research for the submission.

CHAIR—Do you have anything to add to your inquiry?

Prof Laird—Yes. If I may, I table a two-page summary that has just a little extra information. I have 15 copies.

CHAIR—Would you like to give us a three-minute overview of your submission?

Prof Laird—Yes. Mr Chairman, thank you for the arrangements enabling my appearance before you this afternoon. Firstly, the submission is in three main parts. The first: how can rail assist in reducing greenhouse gas emissions primarily with freight? Secondly, intercity rail track upgrading: what has happened in the past, and what is needed now? Thirdly, competitive neutrality, which in part was considered by the national transport planning task force, and also as per Professor Fred Hilmer's comment on page 1 of the main submission, 'The road sector is not meeting its full costs.'

Regarding greenhouse gas emissions, I submit that, had the Commonwealth and/or the New South Wales government matched the Queensland government's main line upgrading programs in the 1980s and then in the 1990s, and had the Interstate Commission's 1990 recommendations for mass distance charging been implemented, then as per data and the Industry Commission 1991 report we would be saving now, as we run towards the end of this decade, 100 million litres a year of diesel fuel. Where do we go from here? By the year 2015, the main submission suggests that, with infrastructure upgrading and road pricing addressed, we could save over 250 million litres of diesel a year, just on intercity freight movements.

Instead, at the moment, we have the distinction of having the world's highest road freight per capita and net tonne kilometres per person. Since road freight is energy intensive compared with sea or rail, I do not think it is a particularly good record.

We also have new state-of-the-art locomotives. You heard from Dr Affleck this morning about National Rail's new locos. They are beautiful new locos, but look at the track they have to run over. It is terrible stuff. From Adelaide to Melbourne, you have old wooden sleepers, with stacks of new concrete sleepers, ex One Nation, sitting by the side of the track between Geelong and Ararat—because, with vertical disaggregation, who is going to pay for it?

Mr MAREK—What, it actually has concrete sleepers sitting by the side of the line?

Prof Laird—Yes, that is right.

Mr MAREK—Then why has that got the old wooden sleepers on it?

Prof Laird—Because One Nation provided for the capital cost of the new sleepers. But the Victorian government does not want to incur the expenditure, it would seem, of inserting these sleepers—the new concrete ones. They have been sitting there for over 2½ years. That section of track is littered with speed restrictions.

Coming from Melbourne to Albury, you have standard gauge track. That track, when it was laid down in 1961, consisted of lightweight rails. They have now reached the end of their economic life. If you go from Sydney to Melbourne on the XPT and have a sleeper berth, at Albury you will not be woken up today by the change of gauge but be woken up by the train complaining at the state of disrepair of the track. From Albury to Glenleigh near Campbelltown, we have a curve for every kilometre and steep grades that limit the weight behind a loco. Going from Sydney to Brisbane, it is a long and winding track. It is a collection of branch lines strung together. It is a disgrace.

But, when we get north of Brisbane, in the last 15 years the Queensland government, from Brisbane to Rockhampton, have rebuilt the worst sections of track and eased the steepest grades and the tightest curves. Only the worst 20 per cent of track was rebuilt. In the last 15 years they have halved the transit times for the passenger trains Brisbane-Rockhampton from 14 hours in the mid-1980s to next year with the tilt train to seven hours, and the weight of load behind a locomotive has doubled from 760 tonnes to 1,500 tonnes. They are now saying that, with this type of track investment and other investment, they are getting a 12 per cent per annum increase in productivity.

Elsewhere the submission says, ‘Look, we’ve downsized the rail force by over a half in the last 10 years. We’ve made them more commercial.’ In fact, we are on a giant experiment with vertical and horizontal disintegration. Who knows where it will end. Basically, what we have today is Federation unfulfilled. Among the reasons we had Federation 100 years ago was the railways. In turn, it was expected that the Commonwealth would give us better interstate communication. I would be happy to try to answer any questions.

Mr WAKELIN—That sort of thing would not happen on the Alice-Darwin line, Mr Chairman.

CHAIR—How do you define the costing and funding of the community service obligation?

Prof Laird—There are three types. Firstly, freight—and we have had rail freight subsidies in the past. The Industry Commission thought that they were running about 525 million a year at the end of the 1980s. They are now down, according to the Bureau of Industry Economics, perhaps below 200 million. Secondly, we have passenger CSOs, both urban and intercity, which seem to be growing all the time for various reasons—and they are not, I hasten to add, in New Zealand. Thirdly, we have what we call track CSOs. I understand that the New South Wales government is slowly moving from freight CSOs. The passenger CSOs are there and perhaps getting bigger. But the freight CSOs are being wound back, and instead you have track CSOs.

Mr HARDGRAVE—What do we have to do? We have a lost opportunity through the 20th century obviously as far as rail infrastructure is concerned. What do we have to do—madly build new track, provide some certainty, some basic solid infrastructure; ask the private sector to do it? Who has to make the lead on it?

Prof Laird—First, we go and see what they have done in Queensland with the track upgrading and the freight. Secondly, we perhaps can look to America and how they do big freight operations with the vertically integrated systems; and also New Zealand, how you do it on a small country low resource base.

Thirdly, we start realising that if we do want faster freight trains we have to do what we did to the Hume Highway 25 years ago when it was a basic two-lane road linking the towns between Sydney And Melbourne. It was very deficient then, and the only reason it is a good highway now is 23 years of solid federal funding plus the drive and the vision to convert it from a basic two-lane road to something approaching reasonable standards. We need much more rail research. It is patchy in Australia. But where we do have good operations like the Pilbara iron ore operations in Western Australia, which are the most efficient freight trains in the world, that reflects the research.

Fourthly, even if we cannot call contracts now for track works like they have in Queensland at the very least we can start looking at design, environmental impact assessment and land reservation or acquisition.

Fifthly, from the situation in Victoria I think it is very easy to see that you need the new concrete sleepers sitting by the side of the track inserted plus the rerailing of the standard gauge between Albury and Melbourne.

Mr HARDGRAVE—We have heard a lot of talk today about the current situation with rail effectiveness and efficiencies and that we are victims of our history in the way that rail has evolved over the years. Whilst understandably praising Queensland—to the great chagrin of the colleagues from the rust belt states that such praise has been given today—has the best thing in fact been done in the national interest? Upgrading the Queensland system north of Brisbane but still on the narrow gauge may not have been the right thing to do. If there had been a proper plan in place, do you think something else could have or should have been done?

Prof Laird—That Queensland gauge question is an old one. If you look, for example, at debates from the 1960s that the Prime Minister of the day, Sir Robert Menzies, participated in, you would see that they thought they might be able to lever the Townsville-Mt Isa line from narrow to standard gauge, but in the end they deferred to the Queensland view. The Prime Minister himself said, ‘Look, the main priority is to ease the grades and curves and improve the track.’ At about the same time the then member for Wide Bay was thinking, ‘What a pity the Brisbane-Rockhampton line is not being rebuilt to a standard gauge.’ What we can hope for in the future, possibly, is that if the inland route from Melbourne to Brisbane is developed through Toowoomba that will be built dual gauge with capability for double stack containers and that in the decade later it might go up to Gladstone as a standard gauge railway into that deepwater port there.

Mr HARDGRAVE—So in some ways you suspect that my assertion could be right—that, whilst

Queensland has done a great job over the last 15 years straightening out the track, increasing the loads and the speeds, if there had been a proper plan in place they could have been required to perhaps have a third rail, have the dual gauge running up, and certainly the preparation for that in place?

Prof Laird—If there had been a stronger rail interest of the Commonwealth in the 1960s and 1950s, then I suspect that we would have had much of Queensland standard gauge. A further lost opportunity was when Utah, I believe, was developing the coalmines in from Rockhampton. They said, ‘We want a new line. We do not want it connected to the existing line going out to Hay Point and Gladstone.’ There was another opportunity that was passed by. But at the end of the day what do we have? We have the break of gauge, but we do have probably one of the most efficient heavy-haul operations on narrow gauge with electric traction in the world.

Mr HARDGRAVE—Just to finish that off, on the question of efficiency, is it more efficient to now try to create a standard gauge or simply try to get Queensland to continue to do what it has been doing—and that is, ironing out the bumps and the twists?

Prof Laird—I would suggest the latter—with a rider that there are aspects of Victoria that are overdue for gauge standardisation.

Mr McDOUGALL—Being a Queenslander I like your comments, I suppose, in some ways, but you can do a lot of things with exorbitant freight rates when you get cross-subsidy from the mining industry. If we spoke to the mining industry they might think your comment is a little bit different. And they are to come off, as you know, in 1999, so it will be interesting to see. Maybe that is why Queensland is trying to get all its work done now before a little more competition is forced into the marketplace. What are the main barriers to access and utilisation of the rail network interstate and intrastate?

Prof Laird—I go firstly to the Queensland one. I think it was more than coal freight rates and tonnages—and could one be unkind and suggest that it was perhaps more than a good deal from the Commonwealth through the general revenue sharing. I am from New South Wales. It was also a vision. They were straightening out rail track in the 1970s, in the 1980s and now they are doing it in the 1990s. New South Wales was blessed with much coal reserves and generous exports, but they have not seized that opportunity. So I think again it was visionary. It goes back to the likes of Sir Gordon Chalk, I think, who said, ‘Okay, we are going to exploit these coal reserves of Queensland but it is going to be for Queensland’s benefit.’

Secondly, the expenditure involved for the rail upgrading in Queensland—the mainline upgrade has come in at about \$1.5 million per kilometre—is not dear. I qualify that figure by saying that the Gold Coast line, including to Nerang, that opens next Tuesday, was much dearer.

As to your second question regarding barriers as to the use of rail, firstly, who wants to travel by train intercity when it is so slow compared with car? Secondly, some freight is time sensitive, and they like it in the next city the next morning. In the supplementary submission I refer, for example, to Brisbane-Sydney transit time of 19 hours for the freight train. That is averaging less than 60 kilometres per hour. Adelaide-Melbourne at the moment is averaging about 60 kilometres per hour for the freight trains. I would suggest

that this is one barrier to the use of rail.

A further impediment to the use of rail is that, although they have made progress in the last 10 years in getting the rail freight unit costs down—this is reflected by smoothing out those freight deficits—for, say, 4c per net tonne K Sydney to Melbourne, you can find truck drivers who will do it like that. So, really, what we have to do is drive those freight production costs down to 3c per net tonne K and then to 2c per net tonne K, which corresponds to an American standard of, say, 3c per tonne mile. The only way you can drive those costs down at the end after you have done the downsizing, the restructuring and the corporatisation, and used competition policy to squeeze out every last benefit, is an infrastructure upgrade to remove physical limitations, so you can have the bigger loads behind the locos, the faster trains and also the flexibility to double stack or at least 1½ stack containers in wagons.

Mr MAREK—On that point, if you look at the competition between it and road, it must be significantly cheaper to run a truck than a train when they have Q-Link in Queensland. It sort of ties in with what you are saying. As far as competition is concerned, why run trains when it is cheaper to run a truck? That is what it looks like up in Queensland.

Prof Laird—There are two things. Firstly, if we are talking about minerals—

Mr MAREK—No, I am talking about freight—goods, parts, general freight. It is tricky, isn't it?

Prof Laird—Again, if it is parcels, then I think the logic is as was finally followed by New South Wales—out of the area at this time. If, for example, a whole lot of containers have been assembled by freight forwarders to get from, say, Sydney to Perth, where you have long distances over track that is reasonable for over half its length, then I think you have rail up ahead. That reflects in modal shares, for example, in and out of Perth: they get in the order of almost 80 per cent of the freight. But, where you have long transit times and light loco loads, you see the modal shares come down to about 25 per cent.

In relation to the costs that the road freight clients pay—and I appreciate this is an area open to debate—I would submit there is a body of evidence, mostly from the last decade, that would suggest that perhaps the people who use road freight services are not paying the full costs. It is not to the real benefit of the road freight industry because it is such a tough competitive one.

Mr MAREK—So you would say that Q-Link or the truck is basically being significantly subsidised?

Prof Laird—Where heavy loads and long distances are involved, that would be my submission. But if it is cornflakes on, say, 34 tonnes on a six-axled semi then what we have is not unreasonable. If it is short distances like 20,000 kilometres a year from Port Botany to a warehouse or a freight terminal around Sydney, then what we have at the moment is reasonable.

Mr MAREK—It actually brings in another area of unfair competition, doesn't it? You have significantly subsidised trucks running freight rail whereas the everyday man out there on the street has to pay all the sales tax on fuels, parts and all that sort of stuff. So, as far as competition is concerned, it is probably wrong, isn't it?

Prof Laird—I believe that it does distort the modal market not only for intercity freight but also for the odd bulk freight. For example, I understand last year the Hunter Valley had five million tonnes go by road, which was more than went by road to Port Kembla. Also, I believe unless it is fixed up it will have the unwanted effect of distorting private investment in rail. To give an example: Sydney to Canberra, where the six hopeful consortia have been invited to bid expressions of interest. But when the banks finally look at the figures and you say, ‘Even if we got everyone out of a plane, we might be able to afford a lower speed option’—and because it is the lower speed option you would not get everyone out of a plane—then you have to start making it pay by getting people out of their cars. But in three years time from Sydney airport, and perhaps even from the North Shore of Sydney, right down to Canberra, as observed by Bill Wentworth to me earlier this year, there will be only one tollway between Sydney airport and Canberra.

How is that going to help the financiers back that project? I suspect it will be the same if the new Track Access Corporation is told to go away and borrow money for upgrades. With the present regime of road cost recovery, I think it is going to be very difficult. This is one reason why, even though New Zealand road user charges are higher with their mass distance pricing than ours, they are seeking to revisit their road pricing right at this moment.

Mr McARTHUR—Obviously you have thought about the efficiencies of railways. Could you help the committee by giving us the definition of the reason railway is fundamentally more efficient—steel wheels on steel rail? Could you also make a comment on the efficiency of locomotives pulling a train on the steel rails? You might also comment on the gauge widths and whether standard, narrow or broad gauge is more efficient technically.

Prof Laird—Taking the last question first, I am sorry but I cannot comment, except to say that some people feel that 1,067 millimetres should be regarded as the standard rather than the narrow gauge. You can go down to as low as 600 millimetres or even less, but I think that would not be very efficient. Secondly, where does the efficiency come from? I think the first reason is, as you mentioned, the steel wheel on the steel rail, particularly with modern roller bearings.

The next efficiency factor is the very gentle grades. For example, a good rule in grade—such as from the prairies in Canada to the port of Vancouver—is 1:100. That means you go along 100 metres and climb one metre. That goes right through the Rockies and down to the port, crossing two or more ranges. That means that behind a given locomotive you can have a lot of wagons and a lot of tonnage. That principle works well out in the Pilbara as well. If you have, for example, trucks running on roads, they have to be so powered up. Instead of, say, 1:100—a very gentle incline—you might have to deal with 1:10 at times, plus be able to accelerate quickly away from stops and so on. So your trucks tend to be overpowered from a fuel efficiency point of view whereas the trains with easy grades can give you this very high efficiency.

Can I digress just for one half minute. This is a one-litre jug. In the Pilbara one litre of diesel will move one tonne of iron ore 426 kilometres and bring back the empties. That is how efficient you can get, and that efficiency is the best in the world. One litre of diesel will move one tonne of iron ore, in company with all the other 240 wagons at—

Mr McARTHUR—What about the downhill run there? Doesn't that help you a bit?

Prof Laird—That helps too. In fact, they use more fuel bringing back the empties. It was done in Australia. Who would have thought, when they opened up these railways in the 1960s, that 30 years later they would be moving in the order of 150 million tonnes a year? They never did. When they built the railways, they thought they would be good for 10 million or 20 million tonnes each. Before long the audit books were full and they had to improve the efficiency. They had to go out and be world pioneers in bringing up the efficiencies of these trains. At the end of the day they got this sort of efficiency where one litre of diesel will move one tonne of freight over 400 kilometres.

Mr McARTHUR—What is the efficiency in that diesel motor? We talked this morning about Goninan's new locomotives? What has been the change in the technology?

Prof Laird—It is a bit outside my area of expertise, but they have been getting better and better. Every decade has seen advances.

Mr McARTHUR—Incremental increases in efficiency?

Prof Laird—Yes, perhaps sometimes five per cent here; the use of electronics, computer control—sort of the micro meeting the macro where you have the computer control matched with these very powerful engines. There is still some distance we can go. In America they have now developed AC traction motors as opposed to DC traction motors. And, surprise, the only place you will find the AC traction motor, apart from in Adelaide's rail cars, is up in the Pilbara.

Mr WAKELIN—You make the point that in New Zealand the road user charges are three times Australia's and the B-doubles are four times. You make the point also in relation to competitive neutrality that New Zealand is going very well with its rail system. How much store do you put on this road user charge in New Zealand in terms of the competitive neutrality argument?

Prof Laird—It was crucial for the successful privatisation of New Zealand railways at about \$400 million. Without a framework of road user charges, the system would have probably been closed down by now. They have very little in the way of bulk tonnage—only a couple of million tonnes of coal—and the rest of it was just intercity passengers, which incidentally in New Zealand are stand-alone, without government subsidy. Freight is in the order of 10 million tonnes a year or three billion tonne-kilometres, which is like a week's work by Canadian National. It was a deliberate decision by the New Zealand government in 1978, when the system was very highly regulated, that you were not allowed to haul most goods more than 150 kilometres parallel to a railway line unless you had a special permit or—

Mr WAKELIN—Australia did have some of those at one point.

Prof Laird—Economic regulations. They took advice from a former United States consultant called Wilbur Smith. He said, 'It is a nonsense to have this economic regulation. But, before you deregulate, make sure you have some sort of balance between the two modes. And you might like to try this scheme of mass distance charging for the trucks—where they have to prepay for licences, say, 1,000 kilometre licences—which are mass distance driven on the fourth power law.' The trucking industry at that time were happy to take the new charges in exchange for deregulation. So on that narrow traffic base they were able to survive.

Today they pay taxes to government and dividends to shareholders. As you are aware, they are now wanting to—

Mr WAKELIN—The Australian situation would be considerably different in terms of distance, I would imagine, and freight load, as I think you have acknowledged. Your submission refers to the federal government developing the national highway system in the 1980s at the expense of rail and developing roads of national importance during the mid-1990s, again at the expense of rail. You would no doubt remember that piece. Constantly in this inquiry we will be talking about road and rail. No doubt you have been dealing with this issue for much of your life. In your mind, what is the single factor which will encourage or discourage—you may already have answered this—the most appropriate freight mode in our national transport task?

Prof Laird—It is a combination: service and price. It has to be reliable and on time and the price has to be right. On a bigger level, I would say the rail between our three major cities, plus Adelaide, is underdeveloped and to get the investment—it has to be either public investment or private investment—if it is going to be private, we have to make it a more attractive investment.

Mr WAKELIN—What are your views on the general system of fuel excise, its relationship with rail, and how should that be handled? Should the amount collected go back into rail infrastructure or should it be abolished? Do you have a view about the fuel excise system? You have done a lot of work on the collection over the last few years.

Prof Laird—My preference would be that the Commonwealth continue to collect it but to put most of it, not necessarily all, straight back into the long overdue infrastructure upgrade. If you give it back to the rail operators, the chances are that state treasuries will say, ‘Oh, goodie, here’s an extra \$40 million which we can use for other expenditure.’ This is where the Industry Commission and the former Interstate Commission argued, ‘Give it a rebate or an exemption.’ I do not think that is silly; I just think it would be much better if in the order of \$150 million a year was channelled back not only for mainline interstate track but also, where warranted, export track.

Mr WILLIS—I want to go back over the business of the Geelong to Ararat railway and the concrete sleepers sitting by the side of the track. I am a bit perplexed by that. We spent about \$167 million under One Nation to standardise the gauge between Melbourne and Adelaide. Presumably that paid for these concrete sleepers and they are not part of the track. I find that amazing. Who decided that they would not be part of the track and why was that not picked up in the costs?

CHAIR—They just shifted the five foot three line into four foot eight, did they not?

Mr WILLIS—I realise that, but if they actually built the sleepers why didn’t we put the damn things under the rails?

Prof Laird—The manufacture of the sleepers was paid for under One Nation. I am not quite sure of the details. Then it was hoped that the Victorian government would insert them and the Victorian Treasury took another view. Then National Rail—perhaps you could take this up with them directly—said, ‘We pay in the order of \$20 million a year track access. Do you think we can have some of this money coming back to

install these sleepers?' Then National Rail said, 'We are happy to insert them, providing you do some formation rectification.' Still here we are and they have been sitting by the track for 2½ years. This is not a good advertisement for vertical disintegration.

Mr WILLIS—This is about 100 kilometres or more of track.

Prof Laird—No, it was about 50, but they had an accident in the Adelaide Hills so they took about 8k of them away to the Adelaide Hills. So there is about 40ks left.

Mr HARDGRAVE—So that is \$167 million worth of something.

Mr WILLIS—No, \$167 million was the cost of the standardisation of the line under One Nation.

Mr HARDGRAVE—What is the value of the goods sitting beside the rail—a guesstimate?

Mr McARTHUR—Did you say they are actually sitting there?

Mr WILLIS—They are part of the \$167 million.

Prof Laird—Can I take that on notice?

CHAIR—Yes. If you have some more data on that, I think my Victorian colleagues would be very interested.

Mr WILLIS—With all the money that has been spent in Queensland with the mainline upgrade, on which you put a lot of emphasis, is there any analysis which tells us at this stage what gains that has meant in terms of market share for rail freight as against road? It is very early days because this was a five-year program to 1997.

Prof Laird—We have run into a really serious data problem here in that the Australian Bureau of Statistics is just not doing the job. If you look at its 1997 year book, it got the rail figures, government and private, wrong. They no longer publish interstate freight movements, It is very hard to get the data. The rumour is that mainline upgrade, although it was supposed to help them grow their market share—Brisbane north to Rockie, Townsville and into Cairns—the sad reality was that they could hold their market share against the onslaught of more B-doubles on the road, but the gains have not been possibly as brilliant as they might have hoped. Perhaps one would have to ask QR. On the other hand, this year, in partnership with National Rail, they introduced the premium Melbourne-Townsville service. It might be interesting to follow how well that is working.

CHAIR—Thank very much, Dr Laird. You have undertaken to provide us with that further information. We would be most grateful for it. If you could let the secretariat have it as soon as possible, we would be doubly appreciative. The secretariat will send you a proof copy of today's transcript. We thank you for the trouble of coming across from Wollongong today. You are an expert in this field, and we very much appreciate your assistance.

Prof Laird—Thank you very much.

Short adjournment

[3.32 p.m.]

BOLLINGER, Mrs Marjory Edna, Secretary, Highway Safety Action Group of NSW Inc., 'Glenelga', Molong, New South Wales 2866

CHAIR—I call Marjory Bollinger. What a great name! I will think of you around Christmas.

Mrs Bollinger—No relation, I can assure you.

CHAIR—I welcome you to this final session of day 1 of our public hearings. We thank you for having provided us with a written statement. Do you want to add anything to that?

Mrs Bollinger—Not at this point, thank you.

CHAIR—We invite you to make a three-minute statement picking out the highlights of your submission.

Mrs Bollinger—I thank you for the opportunity to appear at this hearing today. Our submission was not based on technical data; rather it was based on the commonsense views of members of the community, of whom we are part, which must be considered if there is to be an adequate, coordinated, cost-effective transport system to meet community needs. We suggest that the method of addressing the recommendations presented in our submission must be supported by real and true cost benefit analysis to meet the criteria of the terms of reference—that is, to improve current administrative, operational and price arrangements and to improve and promote the effective and efficient use of the national rail network. To achieve these real and true cost comparisons and benefits, we consider that comparisons must be made about road and rail, including the costs of infrastructure and maintenance of both assets as well as the community costs associated with road accident trauma. These must be considered, compared and then balanced one against the other.

For rail to be competitive, a level playing field must be provided by governments within and between all transport modes. That is not currently the case as rail operators are obliged to pay the on-road diesel fuel excise as well as to cover all costs associated with infrastructure maintenance through access charges. That can hardly be considered to be providing opportunities to increase the participation of the private or public sector in the rail industry. This tax should not apply to rail operators as their vehicles do not use the national road network. If international fishing vessels are exempted from this tax, how can it apply to the rail industry, which has the ability to provide basic community services within our own country?

Governments appear to be bending over backwards to increase the productivity of the road transport industry by offering increased mass limits for trucks, which will cost the community millions if not billions of dollars in upgrading bridges alone. The only benefits we see being derived from the increased mass limits will be for the road transport industry, with all the costs borne by the community by way of infrastructure costs and road accident trauma. This is supported by recent Federal Office of Road Safety statistics which identify that, for all fatalities resulting from a crash on Australian roads, one in five involves a truck. Trucks are also involved in 10 per cent of crashes resulting in serious injury. These costs must not be ignored when calculating the benefits of rail. We do not really see the relevance of international best practice in rail

operations to this inquiry. Surely it would be better to benchmark on Australian needs and how rail is meeting those needs.

Mr Chairman, in respect of your opening comment about the terms of reference, we feel that action should occur as a result of the findings of these inquiries rather than the findings just being filed away in some obscure place. In respect of that earlier comment, we feel that the community would support the use of rail if the services provided were to meet the community's needs rather than catering for the needs of management. We would also question whether it is cheaper to run a truck, and whether trucks really do meet the costs of the system. Thank you.

CHAIR—Thank you for that. I might just make a comment. I assume that you were responding to my opening comments this morning and this afternoon when I said:

. . . I would like to emphasise that, in addressing the terms of reference, the committee's role is not to lobby the Commonwealth government—nor, for that matter, any other government . . .

We are not saying that we do not seek to influence the government on policy issues, on better operational issues and on a national vision for rail and all those sorts of things. We are saying we are not here to have 300 people come from, say—

Mr Marek—Alice to Darwin!

CHAIR—Alice to Darwin, for that matter. We had an unpleasant experience with this in our previous inquiry when in one state the inquiry was used purely to press individual roads. So I just wanted to put it into that context. Our report is not going to sit on a minister's shelf. In fact, I think the practice is that, after we table the reports of these inquiries, the minister is required to respond within three months.

A very good example of this—not on our own committee—was Mr Reith's recent response to the fair trading inquiry where, in a very bipartisan manner, that has been taken up by the government and was well supported by the opposition. It has now gone through the parliament as legislation in quite quick time. So please do not misinterpret my original remarks as being anything to do with holding the process up; quite the contrary. We do not want to bog it down in unnecessary detail of a parochial nature.

If I could kick off the batting, I found one of your comments a bit strange and I just wondered if you could explain it. You say that we should not compare the Australian rail networks with other rail networks, that the rail networks in other countries are not suitable for comparison with Australian rail. What do you mean by that?

Mrs Bollinger—Again I can only be guided by, and represent the views of, the community. I am not here to give a technical answer to that question. Australia is a very different country from most other countries in the world. We have a very large landmass and a very small tax pool as opposed to America which we often benchmark with. To compare those two is not seen by the community as being a very appropriate method of benchmarking. We consider that we should be looking at the best way of servicing Australia for Australian needs.

CHAIR—That does not mean that we have to do it less well.

Mrs Bollinger—I think we should do it better rather than less well. But, again, we should be looking at the distances that we have to transport freight in particular, and perhaps I could use the Parkes-Broken Hill line, which I am relatively familiar with, as an example. It may not be very cost effective if you look at the amount of freight that is transported on that line. But, if that line were withdrawn, since the roads are not tarsealed, any time there is even a shower of rain the people who live there are isolated. There may not be very many people who live out there, but that line is their lifeline.

CHAIR—Can I just lead you then into another area. You are familiar with the term CSO—community service obligation?

Mrs Bollinger—Yes.

CHAIR—How do you think that should be defined and funded? What do you think the accountability of government should be in that process with regard to rail?

Mrs Bollinger—Again I think that the CSO funding could be reduced considerably if there were a level playing field there. For example, if the road industry were paying their true costs of road transport—the same as the rail industry is forced to pay the fuel excise—and if good management practices were in place within the rail industry, which has not always been the case in the past, the need for CSO funding would not be as great.

Mr McDOUGALL—Do you believe that passenger trains should be given precedence over freight and, if so, why?

Mrs Bollinger—I understand that has always been the case and my colleague Mr Hetherington, who helped in the preparation of our submission and who has considerable rail experience, is of the opinion that it should be the case that passengers should have precedence over freight. He also believes that it should be possible to work out timetables and train path slots that should not cause undue delays to either service.

Mr McDOUGALL—I have raised that question because, earlier today, we heard some pretty compelling evidence from several sources that one of the biggest problems we have in relation to access, particularly in New South Wales and around Sydney, and one of the reasons we have such an ineffective freight operation, is that, even though in one case we had specific money—Mr Willis may correct me—from One Nation to create access for freight, the State authority politely took it over for the use of passenger services. If we are to get freight working, how do you see that we are going to operate this, knowing that they are getting less and less access to the infrastructure that is available in freight terms?

Mrs Bollinger—I think a commonsense response to that question would be that the corridors are there. Certainly, the passenger services must run through. But, if the management practices were in place, as I understand it, there is capacity available on a lot of that infrastructure that is just not being managed correctly to provide the access.

Mr McDOUGALL—If I can just follow with one more point, it is interesting that you say that government should maintain and acquire corridors, and I think you are saying that for basic transport services in total.

Mrs Bollinger—Yes.

Mr McDOUGALL—Knowing and having some experience on the political side of trying to acquire corridors for transport, of course the big thing we run into is the greenie element who say, 'You're not allowed to have corridors anywhere, irrespective of what form of transport is involved.' Because of the point that you have just raised about passenger over freight, should we be planning to have dedicated freight corridors with no passenger services? If so, how do we then get it through to the public that someone in the community—whether it is urban or non-urban—is going to have to live with freight corridors, and how do we sell that?

Mrs Bollinger—You have been up to the Blue Mountains trying to get a road through to the Great Western Highway, no doubt.

Mr McDOUGALL—No. I have been up in Queensland trying to get a road from Brisbane down to the Gold Coast.

Mrs Bollinger—You mean it is the same everywhere!

Mr McDOUGALL—It is the same everywhere.

Mrs Bollinger—I guess part of the answer to that would be, again, if you are looking at the area out west that I am familiar with, that we could declare the line that we have now pretty much a freight corridor, because we have one passenger train a day. We do not have a lot of passenger traffic on it.

Yes, I appreciate your point, having been at a meeting with some residents at Bathurst, where we are trying to get a freight terminal established. There is always the nimby syndrome: we want the services that the transport provides but we do not want them in our backyard. I think it will take a lot of convincing of some members of the community, but I would be of the opinion that they are very much in the minority. I think the majority of people, particularly in rural areas, would definitely support the return of freight.

Mr McDOUGALL—If you ever find out how to do it let us know, because the minorities always seem to bring down governments who make the hard decisions.

Mr WAKELIN—I will just check your submission. I am particularly interested in the road safety aspect. In relation to road versus rail, have you done very much analysis of the actual numbers, the dollars, the impacts—all of that sort of stuff? Have you got much on that?

Mrs Bollinger—Not a great deal, no. As I say, our submission was based on community opinions rather than statistical data. We feel that possibly the Federal Office of Road Safety statistics, which I quoted to you, is where the costings are perhaps not being done correctly in looking at the big picture. We have

heard particularly in New South Wales rail saying that everything must be cost competitive and users must pay and each of the four segregated corporations must be cost-effective in their own right.

Whilst I can appreciate that to some extent and that rail was losing \$4 million a day, I think we should look at the whole thing—the cost of providing the road infrastructure; whether or not the trucks are meeting their costs, which depends on whom you talk to and who creates the accounting system; and the cost of road accident trauma—to see whether, by eliminating or wiping out the rail system, we have really saved anything or whether we have just moved the costs from rail over to something else.

I definitely agree that there needed to be some form of restructuring of the rail industry as it was. I have been told that it had to be closed down and started again. I probably agree with that. What I do not agree with is that they removed a lot of the infrastructure. If they did not want to use it, why couldn't it have been left there in case someone else wanted to use it? That is the community view.

Mr WAKELIN—The railway line and—

CHAIR—Country lines.

Mrs Bollinger—A lot of the track and a lot of country branch lines. In a lot of instances the branch lines at level crossings have now been buried or dug up and removed, yet the state government says the lines are not closed; they are only mothballed. If you cannot run a train along it and the track is buried, to me it is pretty well closed.

Mr WAKELIN—I will finish on this point: we have seen—and thank God we have—a lowering of the road fatality rate over a decade, 20 years or whatever period we have statistics for. A whole range of factors has contributed to that, including policing, speed limits, safer vehicles—we could go on and on. In light of this constant debate about design of roads, maybe our roads have got a little better, et cetera. I guess I want to finish by getting into not the statistics about it but your view about the potential, the opportunity, for keeping that downward pressure on not just fatalities but the whole road trauma issue and about the community benefits that come from that. Would you care to comment on that general topic?

Mrs Bollinger—I do have some statistics on that but not right at my fingertips at the moment. Yes, there has been a general trend downwards in the accident statistics and fatalities but, again, I would question some of those trends and the claims being made by the road transport industry that the statistics suggest trucks are getting better and that the number of fatalities they are involved in has reduced. Again, it depends on how you creatively account that system as to whether or not that is the case. We are certainly working on those statistics at the moment to see whether that is so.

I have been involved with a lot of community consultation through work I do with the NRMA, and definitely one question that we have looked at is how we change driver attitude. While we can tighten every other nut on the vehicle, the nut behind the wheel is not so easily tightened. That is where it seems to get back to. How we can do that, we are not sure. Possibly the best method is to work on the younger generation, the up-and-coming drivers of tomorrow, and change their attitude before they get behind the wheel rather than try to change them afterwards.

I would be hopeful that some of those campaigns are working, by virtue of my three- and five-year-old grand-daughters saying, 'Grandma, you didn't look to the left and right before you crossed the railway line.' I think that is where we should be targeting. The same can be said in relation to seat belts. A lot of us will still get in a car and drive without our seat belts but the kids who have been brought up wearing seat belts do not. So I think it is a very long-term process.

Mr WAKELIN—As well as getting as much freight onto trains as we can.

Mrs Bollinger—Exactly. As far as the statistics are concerned, I think they said that one in six trucks are involved in fatalities but the truck driver is not often at fault. The fact is that the heavy vehicle is there and the general community is not coping well with them and they are running into them and people are being killed.

Mr HARDGRAVE—Mrs Bollinger, I guess you would be an advocate for proper planning?

Mrs Bollinger—Yes.

Mr HARDGRAVE—And an advocate for governments not making short-term decisions but understanding long-term consequences.

Mrs Bollinger—Yes.

Mr HARDGRAVE—I think that is basically what I wanted to establish.

Mr MAREK—Excuse if my question sounds a little provocative. I have just been reading through your material. I come back to what the chairman was talking about earlier about best practices and looking at what other countries do. Some of what is in your submission shows little depth. It says:

Do Australian rail practices represent international best practices?

You say:

Benchmarking is a useful tool to use as a comparison however should not be used exclusively to structure rail in Australia . . .

The submission goes on to say, in relation to how rail networks operate in other countries:

Rail networks in other countries are not suitable for comparison with Australian rail . . .

Another question asks what practices are used in other countries. You say you are unaware of information from other countries. It looks as though you are saying that we should look at other countries, but you have never had a look at other countries, so how can you say that? It shows very little depth.

Mrs Bollinger—Well done. In preparing that submission, I was representing the views of the general community. Personally, I am not aware of what occurs overseas. People within our group claim that we

should not be looking overseas because, as I explained earlier, we have a different—

Mr MAREK—But how do you know that we are different? When you look at other areas, they have long bits of track that run along dirt and up hills and around corners, much the same as we do. I am not trying to be rude or provocative but I am trying to say that I think it is important in this age of communications and information technology that we should learn from the mistakes that other countries have made. If Germany has just built a very high speed train and it keeps falling off the rails or smashing up because they have a particular material engineering technique that they are using or something or other that is not working, maybe we should be looking closely at that before we develop our own.

Mrs Bollinger—Sure. That is a comment that has been made fairly regularly to me, which probably prompted the comment that was made in our submission. Some years ago America did close down all of their rail system, the same as we have been following down that path. Now I understand that they are going back to rail. The question asked by the community is: why do we have to make all the mistakes that everybody else has made? Why haven't we learnt from them rather than following the path and perhaps being 10, 15 or 20 years behind them and making the same mistakes again? Can't we look at our own situation and provide our services that meet our needs rather than following the path of somebody else because they seem to think it is going to work? If it fails, we then fail too. Does that answer your question?

Mr MAREK—Yes.

Mr WILLIS—I wanted to ask you about your position on foreign investment. Your submission makes it clear that you are strongly against foreign investment in the Australian rail industry but at the same time you obviously have a great desire to see a lot more traffic travel on rail than on road. What is happening at present is a lot of privatisation by the current government in the rail industry, much of which is sales to foreign companies. It is said that this is a way to turn loss-making operations into profitable businesses. If that was the case and therefore one gets a better rail operation—one that is going to be more durable and long-term than if it continues to be a loss-making operation in government hands—what is your view of the foreign ownership in that situation?

Mrs Bollinger—I have no problem with foreign investment into business. I guess my objection is foreign ownership of Australian assets, probably more related to property and the rural industries, where, being the wife of a farmer, most of my experience is. The general feeling in the area where I come from is that we are losing control of our own destiny by virtue of foreign investment into the land.

Mr WILLIS—The submission is very much about investment in the rail industry.

Mrs Bollinger—I agree but I think the principle is still the same—that we must retain Australian ownership.

Mr WILLIS—Does that mean that if there is a choice of sale to a foreigner or no sale, you would be against the sale of a rail operation?

Mrs Bollinger—I believe that we should maintain some Australian ownership.

CHAIR—Let me take that a step further. You also seem to be against the idea of build, own and operate operations. You say that you think that would be inappropriate privatisation in Australia. What is your reason for that and what would your alternative be? If some company does want to build the train line and do it appropriately and provide a very competitive, good quality service with freight and passengers or whatever—let us take an Australian company, not necessarily an overseas company—and they want to build, own and operate for a period of time before they turn it over to the track authority, what would your objection to that be?

Mrs Bollinger—We believe that governments were placed in government to provide services to meet the needs of the community and transport, particularly railways and communications, which are services that we believe the government should provide. Therefore, if it is a good business opportunity, why can't we have good management within government the same as we can within the private sector? The government owns the infrastructure and the facility now. Why do we have to sell it to somebody else?

Mr HARDGRAVE—As a consequence of that, would you then be against government or private individuals borrowing money from overseas to build, fund and maybe even purchase infrastructure?

Mrs Bollinger—I would probably prefer to think about the answer to that question, before I gave you a straight yes or no answer off the top of my head.

Mr HARDGRAVE—I am not trying to be tricky. I am simply saying that the difference between that and a foreigner bringing foreign capital in and Australia borrowing funds from overseas, with, at the end of the day, failure to meet payments and so forth, probably has the same result: it belongs to somebody else.

Mrs Bollinger—Exactly.

Mr HARDGRAVE—I am simply saying that there is a consequence to the point you have made, one that perhaps you had not realised.

Mrs Bollinger—Our concern is about the increasing foreign debt, be it by government or by private, or by whomever. Eventually, if we keep borrowing overseas, somebody else is going to own Australia, rather than Australia owning it.

Mr MAREK—Following on from what Mr Willis was saying, there is a difference between foreign investment and foreign ownership, though.

Mrs Bollinger—True.

Mr MAREK—When you look at it, foreign ownership is where the problem is, whereas foreign investment to help the thing get up and going is a different matter.

Mrs Bollinger—Yes, it is a completely different thing. It is foreign ownership that we are more concerned about.

Mr MAREK—Foreign investment is not so bad, as long as we have got the controlling interest.

Mrs Bollinger—Exactly; and the ability to service the loan.

Mr MAREK—Yes.

CHAIR—Mrs Bollinger, we would like to thank you very much. We are conscious that you went to a lot of trouble to appear before the committee today. You have come a long way and we appreciate that, as indeed we appreciate your contribution to the road inquiry. If we have any further questions, we will contact you in writing and we trust that you will reciprocate with a prompt reply. In the near future, the secretariat will provide you with a proof of the transcript of today's hearings which you might be good enough to return to them if there are any amendments.

Mrs Bollinger—Thank you for the opportunity.

CHAIR—Once again, thank you for your attendance.

[4.02 p.m.]

BUCK, Mr Stephen, Committee Member, Association of Railway Preservation Groups (NSW) Inc., PO Box 31, Burwood, New South Wales

CHAIR—Welcome, Mr Buck. You represent the Association of Railway Preservation Groups, which is a New South Wales group, is it?

Mr Buck—That is correct. It covers New South Wales and the ACT. We have an umbrella group that covers the groups in this area, and there are similar groups in Victoria and South Australia.

CHAIR—Do you wish to make any amendments to your submission before we start?

Mr Buck—No, thank you.

CHAIR—Would you like to speak for about three minutes to give us an overview of your submission, and then we will throw the floor open to questions?

Mr Buck—Certainly. Thank you for inviting me here today. I am here on behalf of the Association of Railway Preservation Groups, which represents heritage rail operators of New South Wales and the ACT. We maintain regular contacts with similar organisations in other states. It probably seems a bit strange to have a group of heritage train operators taking part in a committee of this nature, but the reality is that our organisations have led the way in gaining access to the nation's railways over a period of 20 years.

This committee is looking at a number of areas, particularly those relating to financial matters, but I would like to limit my comments to access issues. Our members' interest in railways has been basically inspired by a desire to see steam locomotives continue in operation on mainline railways. While volunteers have been able increasingly to satisfy authorities over these 20 years that they can maintain railway locomotives and carriages to full mainline standards, they have been faced with increasing problems due to the lack of qualified crews and the high cost of hiring crews from the state railway systems. In most cases, heritage operators still hire crews from the various railways, or employ professional crews on a casual basis.

The heritage operators have already faced many of the problems which face prospective new rail operators. I believe that it is important to note that the established operators—National Rail, Freight Corporation and the various state operators—have been able to avoid the really major problems which will be faced by prospective new operators in gaining access. These relate to gaining access to training and other knowledge, and enormous variations in operating standards between states. I would add that these heritage operators are interstate operators and have been exposed to the full range of national operating problems.

The major problems that we have all faced have been gaining access to operating rules and training. To date, only the Australian Railway Historical Society in Canberra has gained access for their own crews to operate on a mainline railway, and that is over a distance of 10 kilometres. We believe that we are the only example in Australia of a commercial or non-commercial operator to have gained access in this manner. That is access with fully trained and accredited crews who are not current or former railway employees. Accessing

this took five years of negotiation and required a substantial amount of arm-twisting and assistance from a range of people and organisations. The requirements which had to be met to gain this access are exactly the same as would face a new operator looking at operating from Sydney to Melbourne. We think this is a sad reflection on the ability to encourage use of the railways.

Based on our experience, in particular as interstate operators, we see the most urgent need to be to quickly establish effective national rail standards. This would cover such issues as accreditation, operating rules, standards for rolling stock, radio systems and safe working systems. Some of these changes should be able to be achieved relatively quickly. Preparation of Australian standard 4292 has provided a framework for moving forward, but it is only a framework. It does not even define how far apart the rails are on a railway line. We see the lack of standardisation as the greatest obstacle to access.

As I said, I am aware of the broader economic issues. I have been involved with the Railway Historical Society in Canberra for some years. We have operated 25 trains to Melbourne in recent years and we are aware of the deplorable state of rail tracks in that state, something which was mentioned earlier. We are also concerned at the ongoing problems with access charges, particularly in New South Wales. Certainly, some of the rates that we have been quoted have been considered by us to be quite excessive.

However, I suspect that the major issue is access, and the situation is rather unlike the chicken and egg! If a regime is established which facilitates access to the nation's railways, substantial increase in the usage will result, and this will further result in effective pressure for improvements. Under the current regimes, which greatly inhibit access, substantial improvements in infrastructure will not result in a greater use of the network, owing to the enormous problems in gaining access.

CHAIR—To open the batting again, Mr Buck, I have a great deal of sympathy for the case that you put. Mr Willis could probably comment on this further, as a former Treasurer. Are you suggesting that historical societies have a role to fulfil and that they should perhaps be given some type of community service obligation status?

Mr Buck—No, that is not the point I am starting from, at all. I am here to say that we are the only organisations in Australia that have got access to the railway networks.

CHAIR—Do you think you are being treated unfairly?

Mr Buck—No. I am saying that we are an example of how the system is not working. As I understand it, the role of this committee is to look at ways to better utilise the railway network.

CHAIR—In what respects are they not working?

Mr Buck—People cannot get access.

CHAIR—Are they giving you slots that are not realistic, or what?

Mr Buck—No; we just cannot get access. The fact is that each state has a different access regime and

the standards vary from state to state. There is a rail safety act, or similar legislation, in each state, and they are all constructed entirely differently. If you are a rail operator and you want to operate throughout Australia, you need to be separately accredited in each state, and the standards are different.

CHAIR—We need a standard code.

Mr Buck—You need a standard code. The Australian standard 4292 has been put together, but that only provides a list of guidelines. As I said, it does not even tell you how far apart the rails—

CHAIR—When you go for these trips around Canberra, are you still in the ACT then, or do you go over—

Mr Buck—No, we are actually accredited in New South Wales. Fortunately, there are no standards in the ACT at all, and we just operate under New South Wales rules.

CHAIR—When you go for these 15- or 20-kilometre runs, you do not have any trouble with those?

Mr Buck—It has taken us five years to get access in New South Wales. The big problem we had for the society in Canberra is that we have a museum based in Canberra and we have leased 48 kilometres of railway line in New South Wales, but we needed to get access to run on 10 kilometres of track from Canberra to Queanbeyan. It has taken five years of real battling to get our own crews running on that line.

CHAIR—Who are the crews? Are these retired railwaymen?

Mr Buck—No; volunteers: ordinary Canberra people who have not previously worked as railway employees. We have got ourselves trained up—

CHAIR—But how do they get the basic safety and—

Mr Buck—We have battled through the system and got access to get the manuals, run training programs and all that sort of thing.

CHAIR—You do all that within your own body?

Mr Buck—Yes, we have done all that. The point I am making is that, for anyone who wants to come in and get access into the system, it is a near impossible task. People like SCT and TNT are running their own trains from Melbourne to Perth, but they are working them on the basis that they have charter locomotives and crews and so on.

CHAIR—You own your own rolling stock, do you not?

Mr Buck—Yes. If somebody wants to come in as a major freight operator—and we certainly do not see ourselves in that role—they have a major task ahead of them. One of the major problems is the enormous variation from state to state.

CHAIR—You said that your access costs were very high, as well.

Mr Buck—We have been having problems in New South Wales with access costs. Australian National, which is now calling itself Track Australia, has published its rates.

CHAIR—What do you suggest might be the answer there? Obviously, on relatively small matters—and that is not to say that your work is not important—you would not consider an action with the ACCC, surely, on a thing like that? Are you suggesting perhaps there should be some rail ombudsman for minor matters?

Mr Buck—I think that there may well be an advantage in that. That is certainly the British situation, which the Australian model is following a lot in that sort of area. They have a position of Rail Regulator, whose job it is to arbitrate on issues.

CHAIR—A bit like an ombudsman?

Mr Buck—That is right. But one of the problems we have in this country is that the entire approach is so fragmented, in addition to all the state instrumentalities. For example, with the way things are going, an operator in New South Wales is in fact going to have to be accredited separately, both with the New South Wales Department of Transport and with the Rail Access Corporation, who are each saying that they are going to set up different standards and are going to do audits separately on the operators. If you want to operate into Victoria and Queensland, you have to go down that same path again.

CHAIR—I can understand your concern because, as these new regimes become more hard-nosed, it would make it very difficult for voluntary organisations, unless there is an access regime that reflects what they are doing and their capacity to pay.

Mr Buck—The financial issues are not the major issue that people have been facing. It is the actual access.

CHAIR—Operational issues?

Mr Buck—Yes, the operational issues if you actually turn up in Sydney and say, ‘I want to run a train to Melbourne.’

CHAIR—Operationally, are you not just a microcosm of what is happening? We had evidence this morning that there are 22 different operational regimes in Australia.

Mr Buck—That is correct. Some of the numbers I have read in some of the reports are even more than I thought they were. Some of them are quite crazy, and there is clearly an opportunity to get some standardisation, either by Commonwealth takeover or by getting the interstate agreement actually working, which is supposed to allow you, if you are accredited in one state, to operate anywhere in the Commonwealth—which is not the situation now.

CHAIR—We heard some other interesting information this morning from the interaction of a witness with the committee, suggesting that perhaps we might need an organisation, or organisations, such as BASI and CASA, where there could be a regulator or someone who sets the broad guidelines for regulation, and then a safety authority to make sure that, when there are incidents, they are properly investigated, so that that results in a refining of the process. What is your view on that?

Mr Buck—Being involved in the standards committee and having pretty good contacts with the Department of Transport people in New South Wales, I know that the rail safety authorities throughout Australia now have a panel of accident investigators so that if there is an investigation to be done in Queensland, they will call for someone from the national panel. So that is sort of covered.

CHAIR—It is starting to happen?

Mr Buck—Yes. But I think the real prime need is to have a national standard, just like the aviation—

CHAIR—Should the federal government seek an agreement with the states and territories to have perhaps a jointly endorsed regulator who sets a national standard or who investigates national safety issues?

Mr Buck—And sets the standards. If you are looking at getting the people actually using the rail network, that has got to be the single biggest improvement that could be made on existing arrangements, from where I see the situation. If there was a single point for setting the standards and getting operators accredited nationally, that would make the whole system much closer to what the road transport industry faces and put things on a far better footing.

Mr WILLIS—Do you see the Australian track access company that the government has announced as being a step along the right direction for you?

Mr Buck—In terms of the operations that I am involved in it probably will not make a substantial difference. We do not operate interstate all that often. But it is probably going to be easier if you want to run a train to Perth to only have to deal with one organisation when you get to Wodonga than having to deal with four, which I suppose it is at the moment.

Mr WILLIS—I thought you seemed to be having a real trouble with the Rail Access Corporation of New South Wales and I thought you might be pleased to escape their net for a little bit.

Mr Buck—I do not think the New South Wales government has agreed to hand over control at this stage, have they? From what I have read in the press, they still seem to be running their own—

Mr WILLIS—They will maintain ownership of the track, but you will actually deal with the Australian track access group, as I understand it, as an operator.

Mr Buck—Okay. That is going fairly well down the path then in that sort of line.

Mr WILLIS—So does that go a substantial way towards meeting your concerns?

Mr Buck—I do not know. Most of the operators that we are involved with operate on an irregular basis. There is probably a heritage train that runs two or three times a week in New South Wales, probably 10 times a week throughout Australia, and most of their operations tend to be different on every occasion. That is probably a little different from a freight operator.

Access is an issue in terms of negotiating access. Locally, one of the things that has caused us some amusement is that we have been negotiating for 12 months to get access between Canberra and Queanbeyan to get a path. On that line there are six passenger trains a day and two freight trains a day, and it is a 10-minute section. We have not been able to negotiate agreement to get paths for our operations locally, between Canberra and Queanbeyan; it has just been too difficult.

For people to talk about getting in and out of Sydney is somewhat more complex, but when they cannot even deliver on something fairly simple and local I do not have a high level of confidence that having a national group is necessarily going to make it better or worse. It may be that it will add an extra layer of bureaucracy, which might be a bit of a worry.

CHAIR—Barry, you have a lot of historical trains in your part of South Australia, haven't you? In fact, most of them would be in your electorate. Is that the experience down there? What is the one that goes—

Mr WAKELIN—Pichi Richi.

Mr Buck—Pichi Richi has got the big advantage that they have their own section of railway line, which is owned by the state government, and they do not have to get access out onto a mainline railway, whereas for the type of operation we are looking at we have to be able to operate on the mainline railways.

Mr WAKELIN—We are about to change a little bit of that, in terms of crossing at the standard gauge. But that is not an access issue, I guess; it is a crossing issue.

I am indebted to you, on these infrastructure issues, for highlighting the signalling systems. I had no idea that these sorts of things were so inconsistent. One presumes that as we have a red, yellow, green in our traffic system, there might have been at least enough commonality, or even commonsense, to be able to give you that in our rail system. Obviously there is not; we have not been able to do it. I was struck by the example where a signal with a green light above a red light means full speed in Victoria, while in New South Wales the same signal means caution. That is just crazy. It is just everywhere. Has there been any movement on this thing at all?

Mr Buck—No. And one of the things that amazed me was when I was at a standards meeting in Sydney some months ago and I said to a signal engineer from Victorian Railways, 'Of course, you realise that this is the situation?' He said, 'No, it could not be that.' He did not know that in Sydney it meant something different from what it did in Melbourne. There is a major insularity with that sort of thing. It would take you 20 years trying to engineer that sort of thing out.

CHAIR—Do they change drivers at Albury-Wodonga? They would have to.

Mr Buck—I think the drivers run from Junee to Melbourne and from Junee to Sydney. If you are a driver that runs from Junee to Melbourne, you have to know the New South Wales signalling system and the Victorian signalling system.

Mr WILLIS—You would not want to get it wrong, would you?

Mr WAKELIN—That was my next question. No doubt you have had a long experience in it. Do we have some evidence—no doubt it would be anecdotal for these purposes—in terms of incidents—

Mr Buck—Of people getting it wrong? No, not that I am aware of, but you have got to put it into perspective. The through working of crews from Junee to Melbourne is only a fairly recent innovation in the last couple of years. I think that you would have to ask the professional rail operators that one.

Mr WAKELIN—In other words, we just changed the crews at the border before?

Mr Buck—Yes, we used to.

Mr WAKELIN—I am well aware of Broken Hill.

Mr Buck—Yes, but only until a couple of years ago crews were all changed at Albury. One of the great benefits of National Rail is that things have been straightened out a bit on that.

Mr WAKELIN—It seems to me that this discussion is as much about historic railways and their preservation as about the whole issue of access and the way we do it nationally. Do you have a recommended model for how we might go? You have just highlighted the Victorian engineer, but there still seems to be significant ignorance, a lack of will, or a total almost land of nothingness in this whole process at the moment.

Mr Buck—I have got some sympathy for the guys in the railways on this sort of thing. They have been taking the flogging for years on a whole range of issues. I see the answer is a national regulatory body to handle these things and to say, 'We are going to set up some standards and we will work towards achieving these standards.' We are not unique in having these sort of variations in signalling systems.

Mr WAKELIN—In Europe, or somewhere else, you are going to tell me?

Mr Buck—In North America it used to be called the Federal Railway Administration. I think it has changed its name recently. They certainly have that sort of variation, but they also have a whole range of rules that are standard. For instance, protection for the back of a train when you have to protect a train, you would hope, would be standard from system to system.

Mr WAKELIN—I will not touch on what should be on the side of railway carriages, et cetera. It should not just be graffiti, but signals or reflectors that might be seen in the night.

Mr Buck—That is about to come in in New South Wales. They are about to enforce reflectorised

strips on trains.

Mr WAKELIN—But if it came in across Australia, that would be the bigger point for us.

Mr Buck—We are different. New South Wales is talking about doing it as a result of a number of level crossing accidents.

Mr WAKELIN—I think that it was quite a significant issue for road safety in terms of the previous witness, as well. I do not want to go on, but I am appreciative of your highlighting it because I had no idea. I agree with you, too, that there is no point getting stuck into the rail industry about it, that it is just an evolutionary process. But we clearly need something which is going to give us the standards.

CHAIR—The cane trains in my area now have a strip right along the sides, so that when you come to a level crossing your headlights will come straight back off the strip which runs along just above the wheels and underneath the cane bins. You can do it on a cane train, for God's sake; should we do it on—

Mr WAKELIN—It should be national as far as I am concerned.

Mr Buck—Being involved with the standards though, one of the interesting ones is that everywhere in Australia, with the exception of Queensland where the legislation has been passed, it says that a railway is defined as a railway where there is a 600-millimetre gauge or greater. In Queensland the definition is 'greater than 600 millimetres' so that the cane rail operators are not covered by the rail safety standard and by the legislation.

Mr WILLIS—By one millimetre?

Mr Buck—Yes, that is the way it is done. Apparently one of the major issues was that it would be a major cost to the cane field operators having to upgrade their level crossings to comply with the national standard.

CHAIR—I think that is happening—in my area, anyhow. Mr McArthur, have you got any historical railways in southern Victoria?

Mr McARTHUR—We have got the Queenscliff railway, but they have got their own track, so there is no great worry.

Mr Buck—That is right.

CHAIR—Do you have any other comments that you want to make?

Mr Buck—No, that was all. As I said, it probably looks a bit strange to be a heritage operator.

CHAIR—No, not at all.

Mr Buck—But we are the only ones who have got our own crews up and running on a railway.

CHAIR—I am an old rail freak myself. You are most welcome here.

Mr Buck—Okay.

Mr McARTHUR—Freak?

CHAIR—If we require any further information—and I suspect as we go along that this business of the uniformity of operating codes will come up—and we need to write to you about this, we trust you will respond promptly.

Mr Buck—I am more than happy to.

CHAIR—The secretariat will provide you with a proof copy of your evidence when it becomes available. If there are any alterations, let us have them.

Mr Buck—Okay. Thank you very much.

CHAIR—Hansard will probably want the spelling of ‘Pichi Richi’, if I am any good on pronunciations, before you go. Thank you very much for a very interesting submission. Could we call the ALGA?

[4.26 p.m.]

WEARNE, Mr John, Vice-President, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600

RUFFORD, Mr Peter, Program Manager, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600

CHAIR—I would like to welcome Mr Rufford and Mr Wearne of the Australian Local Government Association. Thank you for coming. At the conclusion of your evidence, if there are any proper names or pronunciations in doubt, would you wait for a few minutes to check with Hansard?

Do you have any alterations to make to your submission? If not, would you like to give us a three-minute overview of your presentation and then we will go into questions.

Mr Wearne—Thanks for the opportunity to appear. As you know, we appeared twice before the road funding inquiry which was then headed up by the now Minister for Transport and Regional Development, Mark Vaile. Local government has got a particular interest in rail. It has not always been so, but rail has found its way quite strongly into our policy program for a couple of reasons in particular. The first would be the degree of involvement of a number of our councils who are pushing for the development of rail infrastructure for regional development purposes. There are a number of those, particularly in southern Queensland and the central west of New South Wales. We are very much representing their views in the submission that we have put.

We also have a very obvious interest in the possibilities of an intermodal shift from road, with its associated road funding and road infrastructure problems as we see it, back on to rail. I think there is a fair degree of opinion that that is also worthy of close examination. We strongly advocate an integrated approach towards transport so that the intermodal links between road and rail become complementary rather than competitive as they have become. Road transport has developed and enjoyed quite a competitive advantage in recent years, particularly from an annual investment of some \$6 billion, we estimate, in road infrastructure and technological advances in truck design, et cetera.

We are going through the development of a third increase in mass limits in recent years; interstate uniformity improvements are other reasons for road having a real competitive advantage over rail in recent years. I think there is far from a level playing field at the moment.

We are very much advocating a national approach to establish a balance between road and rail transport infrastructure and operation. We believe that there is some capacity for research and development through using agencies such as the National Road Transport Commission and AusRoads, either to develop a like organisation to develop research and development into rail systems already used or to use some capacity that is already existing within them.

In our submission, we have also touched on social issues as against or as well as economic considerations. In many rural areas there are dramatically ageing populations. In many cases passenger rail is

the only access to public transport that they have. We believe that those social considerations as well as the economic ones need to be considered.

The only other comments I would make are on private sector investment. Of course, there is a lot being said about that at the moment, with the two north and south rail routes being talked about again. The Adelaide to Darwin through Alice Springs link is nothing new, but that has had a fair degree of focus and some dollars tossed at it lately. The other one that is receiving a lot of publicity comes around through the eastern states. We support the concept of that type of rail infrastructure development generally and those two groups, in particular, conceptually at least. I might leave my comments at that.

Local government consider that we are representing a growing view that there needs to be a maximisation of opportunity and identification of the benefits of shifting from road back to rail. There are pockets in New South Wales where the movement of grain—when it gets into the grain storage system from a small silo to a bigger one to where it can be put on trains—is absolutely crippling local roads, particularly up on the Cropper Creek North Star area of the state, where they run on the local road network to a large degree. When the grain is taken into the system, it is then moved to a rail head, which is usually Moree. The damage to roads up there as a direct result of that is extreme. We feel a high degree of anxiety from the mayors in that area.

CHAIR—Both in your submission and in your overview, you talked about a national approach to establishing a balance between road and rail transport infrastructure and operation. What did you mean by that? Is that what you were referring to when you said a parallel body?

Mr Wearne—If we are planning the Australian transport system, to put it in a very broad description, I think it is very hard to separate one from the other. A good example of where that is being looked at intermodally is with the mass limits review that is taking place at the moment. The NRTC is having a specific look at the effects that an increase in mass limits would have on a further shift of taking freight off rail onto road. A figure of some two per cent has been suggested as a possible intermodal shift from one to the other. That is consistent with the comments I made about the technological advantages that road transport has had in comparison with rail. One has had a fair degree of exposure and focus on it. The other has not.

CHAIR—What does local government see as the role of the Commonwealth in the rail industry?

Mr Wearne—We would hope that the Commonwealth would take a national planning responsibility role in it, particularly in putting the various agencies to work looking at a uniform rail network and extending that to identifying real benefits across a number of fields. One would certainly be infrastructure development for rural and regional areas.

CHAIR—How would you do that?

Mr Wearne—How would the Commonwealth do that?

CHAIR—No. That is a nice concept. We had a witness this morning who said that that should extend to mainly upgrading the line from Perth to Brisbane and you should treat it like the national rail highway.

Are you suggesting that the concept should go beyond that to major arterial country lines as well?

Mr Wearne—I would be careful about how far it went—and Peter might have some comments here—but I think there should be a strategic examination of the major network and then the secondary benefits, if we are talking about a secondary system off that, will probably present themselves as the thing develops.

Mr WILLIS—Lines of national importance.

CHAIR—Yes.

Mr Wearne—Yes, that is right. We have also been careful in our submission not to present some fairly heavy views about the closure of trunk lines because we quite accept that the feasibility of their very existence was probably correctly called into question when some of them were closed. So there is a fair degree of parochialism and we have tried to stay out of local views. At the moment we are trying to put our views on a strategic national basis.

Mr McARTHUR—Whilst I do not want to be critical of your submission, could I raise the issue of your real recommendation. The main point that I picked up was in the last remark you made about grain handling—the impact on local roads of heavy grain trucks and the closure or the improvement of the rail grain handling service. I just wonder what local government is really recommending here in a practical sense—apart from that one piece of information which I fully understand where in Victoria the improvement of a small stretch of rail saved a lot of expenditure on a number of local road networks. Could you expand on that by telling the committee what you are really recommending, apart from some broad-brush recommendations that a lot of local governments make? They say, ‘You ought to save the railway system,’ but they always come to the meetings in their motorcars and they have not been on a railway in the last 25 years. Would you like to respond to that observation?

Mr Wearne—I agree that the users certainly need to vote with their feet, in a sense. I can only return to the view I put about the effect of taking the spotlight off rail. That has happened in a cumulative sense probably in the last 20 or 30 years, and the focus has probably moved to road from rail.

If I can pick out one road that is particularly affected—it is not part of our jurisdiction—it is a state highway that runs between Inverell and Moree. This is a classic case of what can happen. You have some major grain receiver points—and you may not know the places but Moree is the terminal where rail picks it up—between Inverell and Moree which take in huge amounts of grain, and all of that grain is shifted by truck. They have closed down what was, until the last three or four years, quite a viable branch line, and in fact not all that many years ago it served as passenger rail as well. In particular, this move has just about destroyed 50 or 60 kilometres of what is still called the Gwydir Highway. The whole side has completely collapsed, and that is a direct result of moving grain within the system from one point to another.

Mr McARTHUR—But did local government really put a strong proposition to keep that stretch of railway open? Did they do something about it?

Mr Wearne—Yes—and not only local government but probably New South Wales RTA and certainly a number of weight-to-loads groups that operate under those sorts of conditions.

Mr McARTHUR—Why did you lose the argument?

Mr Wearne—I guess politics or whatever. The viewpoint has certainly been put forward.

Mr McARTHUR—The sort of thing that this committee is interested in is that small sections of rail that might carry heavy goods, such as wheat and grain or maybe coal or some other commodity, can be kept open and viable rather than there being an emotional political response that it is a good thing. That is about as much logic as these things get sometimes.

Mr WILLIS—It is going by truck rather than by train because it is cheaper.

Mr Wearne—Yes, and hundreds of loads a day sometimes.

Mr WILLIS—So it is what the farmers want: they want minimised costs.

CHAIR—Where did the branch line go from?

Mr Wearne—From Inverell to Moree.

CHAIR—I know that line, but the Inverell to Moree line is still open, isn't it?

Mr Wearne—Not as passenger rail. No, there is nothing running on that at all now. They are moving everything. They ran it about halfway; they ran it as far as a place called Delungra at one stage.

Mr McARTHUR—Why don't you give the committee a proposition about reopening the railway? Could you get some data together to say that it would be viable and would save your road?

Mr Wearne—That is being done. We could certainly look at what they have available. A lot of work has been done within the area, for obvious reasons. That would be possible.

Mr McARTHUR—You really need some specific examples instead of a lot of casual, feelgood attitudes that railways are a good thing. We are interested in making sure that they are profitable and that they are—

Mr Wearne—I accept that. They certainly have to be viable, and that is what we mean by examining whether or not they are.

Mr WAKELIN—I appreciate your responsible approach to it. In terms of the community service obligations—and I hope I am not going over old ground that you touched on while I was out of the room—

Mr WILLIS—I think we just were, but go on.

Mr WAKELIN—I want to touch on the old one of passenger services. That gets a run every time. It is a fairly obvious one. As the previous speaker said, there will be a lot of feelgood stuff and then no-one will actually use it. Does something clearly come to mind where you can see a community service obligation? Does something stand out? Sometimes these things are not black and white; sometimes they are within a whisker. There are two points to it, it seems to me: how you actually determine what a CSO is and how you might pay for it. Do you have anything on that?

Mr Wearne—I am trying to think of a specific case. I quite agree. If you use as an example the line between Armidale and Tamworth, that had a lot of publicity over the years. There were eight or 10 or 13 people using it, so it was completely out of the question that it could run along those lines. They kept trialling it and bringing it back and taking it off and bringing it back and taking it off. I could not support a line that was not viable to that extent.

With community service obligations—and that is a fairly vague term—what we are talking about is going outside the square a little bit and talking about cross-subsidisation of some kind, which means that there would be a degree of tilting the thing in favour of rural communities, I guess. To the extent that the particular line I just described is concerned, it would be pretty hard to do it.

Mr WAKELIN—Perhaps I need to have a picture of the ALGA itself. You have 700 local government areas across the states. How does the decision making process work in trying to get a national view?

Mr Rufford—On how a national decision is reached?

Mr WAKELIN—Yes, the national decision making process.

Mr Rufford—Councils in each state elect a state association which represents interests at the state level.

Mr WAKELIN—Yes, I understand that, but what I was getting to is when you get these policy areas how do you end up with a policy position? You can get your 700 local government people together through your LGAs in your state. Basically, I am asking about the politics of it. How do you end up with a position on some of your policy areas?

Mr Rufford—Some of the issues are easier than others because they affect more councils—

Mr WAKELIN—That sounds familiar.

Mr Rufford—So with things like the mass limits review you have a process going on in each state. That works its way up through the state association and then those people discuss it at the national level, and there is a debate about state interests and national interests. Ultimately, the national executive will form a national position, which will then be even further debated at the general assembly, which just concluded only a couple of weeks ago. So there is a process. ALGA is a very federal sort of system.

Mr WAKELIN—I understand that. Would you have a position on the cost recovery of trucks? You have heard the debate with 18c a litre. Where is the ALGA on that situation?

Mr Rufford—We would support cost recovery mechanisms and user pays. I do not think there is any conflict on that throughout the different states.

Mr MAREK—Just a passing comment on what you were talking about before. I was a shire councillor on the Beylando Shire Council in Queensland. You would be at a meeting and you would hear one day that they are going to close a particular line to the area, and then obviously there would be more transport on the roads. They do not give you extra money to cover that, then the next minute they start trying to give you main roads and try to turn them into shire roads and still give you no extra money. As far as this is concerned, a lot of things that happen either do not happen with consultation, and so the local government do not know about it or, at the end of the day, when they do make these sorts of decisions, there is no extra funding to cover the extra costs.

Mr Wearne—I appreciate your comments, and it is right in line with the comments we often get from councils. I can see you have been there.

Mr MAREK—Yes, I was one of the ones who used to be making the comments.

CHAIR—Next thing, he'll have a go at the former Treasurer!

Mr WILLIS—I just come back to your example of the wheat line to Moree. If a result of allowing haulage by truck to happen is that farmers prefer that to rail, it seems to me that that is not an argument for trying to put them back onto rail, but rather for putting some money into the roads so that the roads are more adequate to take the traffic to use the form of transport that the farmers prefer.

I say that in the context of bearing in mind that the argument that is around, which Barry just referred to, is that there is a very uneven playing field here, and that trucks are not bearing their full cost, that rail is bearing too much and that, if one redressed that, it might make the rail more attractive in itself. Other than that, if rail cannot match it with trucks on roads like that, and if farmers prefer to cut their costs by using trucks, then it is a bit hard to argue that we should stop them doing it.

Mr Wearne—That is an interesting comment. I think they are counting it in boxes. They can easily count the cost of running a tonne a week by road as against rail, and I think road will nearly always come out on top, but they are not counting the total cost, and you have to take into consideration road damage and who picks up the tab for that. It is about time that there was a bit more of an holistic approach to counting the total cost and how much the community picks up and who has the ultimate responsibility for it.

Mr WILLIS—We all argue for realistic charging.

CHAIR—In my experience, one of the areas that has failed a lot has been the grain lines. They have been neglected, not just in New South Wales but also in Queensland. I come from a cane-growing area where the industry owns the line. Has it ever been considered that the state or federal government might be asked to

bring the lines up to scratch and then turn them over to the industry to maintain? If the lines are used during the harvesting and that is all, then the industry could keep it on a repair and maintenance basis for the season. Has that ever been considered?

Mr Wearne—I do not know. It is a very interesting idea and one that I would certainly support having a look at. What do you think, Peter?

Mr Rufford—Sounds good.

Mr Wearne—It sounds worthy of examination. I think there is a capacity for that. I have not heard the idea mentioned before.

CHAIR—It seems to me that if it is saving the roads, if it is safer, if it is getting the grain to the depots better, then once you get those train lines up to a good standard they are not hard to maintain. I suppose the state government baulks at continually upgrading them for the odd passenger service and just for a few months in the harvesting season.

Mr Wearne—Yes, this is past the point at which the farmers actually pay for it too, because it has been delivered into the system and their freight costs are added on, so I do not know how that would impact.

CHAIR—You would have to do it how the cane farmers do it—with a levy or something like that.

Mr Wearne—Yes. It is an interesting idea and we would certainly support having a look at that.

CHAIR—What is your view on community service obligations? Where do you see the role of the Commonwealth in this? To what extent should the Commonwealth—or, for that matter, the state governments—be involved with rail?

Mr Wearne—We put it in our submission because, like a lot of other things, it tended to be overlooked. The economic rationalists have had a focus—I will not get into that particular area of my personal philosophy—but I think we have taken our eye off people and the effects that political policy making has upon them. That is in our submission as an acknowledgment of our belief that somewhere along the line CSOs have to be considered by all levels of government. There is a real shortfall with public transport availability, particularly in more remote rural areas.

Mr WAKELIN—But we also agreed that some of these things are fairly clear-cut.

Mr Wearne—Yes, I would agree with that as well. It is just a matter of keeping them under notice as much as anything else.

Mr WAKELIN—On the point about the rail line, not many years ago there was a royal commission into grain handling and freight and the philosophy there was least cost passed. There were a whole lot of recommendations in that report which may bear revisiting in terms of this debate.

Mr McARTHUR—Mr Chairman, let me put a proposition to our witnesses that, when we visited Mount Isa and Townsville, there was an interesting comparison there where the road network shifted mineral output to the seaboard. Maybe your council might look at that. You are obviously familiar with the wheat rail network in New South Wales, but you have not done a comparison of the cost to the road network versus the cost to the rail network of handling wheat during the season. Likewise, you have not done a comparison of shifting coal from the Hunter region to the seaboard by rail or by road. What if it was all shifted by road?

In the case of Victoria, where wheat is moved basically on the rail network—which has been standardised and fixed up in a couple of comparatively minor areas to take the movement of wheat off the roads—that argument has been pretty strong from local government, but it has been in more specific terms than those stated in your submission. Likewise, there is the proposition of shifting timber from eastern Victoria to western Victoria for woodchip purpose. The question there is whether you are going to shift that on the rail network, since it is not time sensitive, or whether you are going to put it on literally hundreds of trucks, move it long distances and cause considerable pressure on the roads. Of course, in Western Australia you have a very extensive rail network to shift the wheat, as I understand it. What is your general comment on those comparisons as you would see them as a representative of local government and being responsible for maintaining these local roads?

Mr Wearne—It comes back to what we were talking about earlier of having to count all sides of the equation. While you can go into the more narrowly focused economics of the actual cost and you can line up the road and the rail costs, you can do that much more simply by going out to count road damage. I do not think that is being done because it represents a shift in who picks up the responsibility for it. I do not think enough total costing is being done on it.

Mr McARTHUR—Have you people had a go?

Mr Wearne—Not to my knowledge.

Mr McARTHUR—You are putting that proposition to us here—

Mr Wearne—Yes, but it is a little unfair to expect us to have been down there quite to that extent.

Mr McARTHUR—But you have not really raised that fundamental issue that local government has to pay for some of these feeder roads into the rail system. The question is whether, if you close a rail line, you place more pressure on these roads and who pays for them—it is a pretty fundamental issue—or whether you keep the rail network upgraded to move commodity materials such as grain and coal, and iron ore companies have their own arrangements.

Mr Wearne—Yes. I would be really interested in having a look at that specific route we were talking about before between Inverell and Moree. How much longer does your committee sit?

CHAIR—Through to April.

Mr Wearne—I am pretty confident—this is what we are talking about, isn't it?—that there has been

some work done on that, and we may well be able to supply you with some information.

Mr McARTHUR—There are a couple of benchmarks. Obviously you cannot get every detail, but you are putting a proposition. From the national point of view, moving the wheat harvest and the bulk commodities are pretty important tasks. Is that going to be done in 20 years time by road or by an upgraded rail system? That is the fundamental question.

Mr WAKELIN—I came from the local government too. We regularly looked at roads in my council district, and subsequent council districts, between the farm and the port, and you could pick the roads as we wore them out. You went one, two, three, four, and by the end of the harvest you had four roads almost stuffed. This whole issue about road and rail was there all the time. The local ratepayers were picking up those costs, including the farmers who were busily wrecking the roads—or using the roads. That issue is there all the time and, therefore, I support my colleague about those specific examples from the work that has been done by either the state LGAs or the regional LGAs; they would be immensely helpful.

Mr Wearne—I quite accept that.

Mr Rufford—The problem has been that those numbers have not been done. That is what we are saying.

Mr McARTHUR—There is some quite good material in Victoria on that. There are some very good figures on the impact on roads of the 42-tonne wheat trucks that wreck the road in the short term. It is just not right to say that there is no material available.

Mr Rufford—There might be material to look at specific cases, but there has been no approach at the national level to try to get some sort of integrated balance between road and rail transport.

Mr McARTHUR—You are running the argument here, so you have to have a bit of detail.

CHAIR—Should you have a regional plan? When you are talking about that central north-western part of New South Wales, has there ever been an integrated transport plan for that area? The rail is marginal, and it has been for some time. All those lines, right across to Wallangarra and Yetman and across to Goondiwindi and Moree, have been marginal for quite a while. You have some very good arterial roads, but some of the east-west roads are not all that hot. Has anyone sat down to work out an integrated plan?

Mr Rufford—I do not think so, and that has been the problem. You have had the Department of Main Roads building roads and the Department of Railways doing the same thing with rail—even though you might have had a state department of transport—

CHAIR—Do you want to develop that for this supplementary submission?

Mr WAKELIN—It is a critical issue for us.

Mr McARTHUR—Even if they were a couple of rough figures. I am not saying that you ought to

get some very detailed material. If you take the Mount Isa-Townsville argument that we had a look at when we had the road inquiry, they were arguing about a small section of road to get it to the railhead. That was a pretty carefully defined area and, with the break-up of the road, it was pretty obvious that we did not have money or the authorities did not have enough money to maintain or fix up the road.

Mr Wearne—There was an integrated transport study done some years ago in the north-west area by the regional organisation of councils at the time, which might be interesting to have a look at. There is a cross-jurisdictional influence here as well. The road I am talking about that I am using as an example is actually a state road. It may be that the RTA in New South Wales has done some work on it. We can certainly look into that as well.

CHAIR—Thank you for your attendance today. I thank the ALGA for their interest in giving us a submission. I take it that we will not write to you about those two items of information and that you will supply it to us?

Mr Wearne—I will certainly get on to that straightaway to see what work has been done. Obviously, if there has not been any work done, there is not going to be much time to do it. But I have the feeling that there probably has been and that particularly the weight-to-loads groups have some stuff on it up there. The councils probably have as well.

CHAIR—If you send it to us, we will put it in as a supplementary submission.

Mr Wearne—Certainly.

CHAIR—On behalf of the committee, I thank all witnesses who have given evidence at this public hearing today.

Resolved (on motion by Mr Wakelin):

That, the committee authorises the broadcasting of this public hearing and the publication of the evidence given before it this day.

Committee adjourned at 4.59 p.m.