



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

NEWCASTLE

Tuesday, 17 February 1998

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

ANGUS, Mr Ian Leonard, Director of Engineering, Greater Taree City Council, PO Box 482, Taree, New South Wales 2430	321
AUSTEN, Mr John, Principal Economist, Policy, New South Wales Department of Transport, Level 19, 227 Elizabeth Street, Sydney, New South Wales 2000	269
BURNS, Mr Alan James, Business Development Manager, A. Goninan and Co. Ltd, Broadmeadow Road, Broadmeadow, New South Wales 2292	279
DI BARTOLOMEO, Mr Lucio, Managing Director, FreightCorp, 126 Church Street, Parramatta, New South Wales 2150	247
KEARNEY, Mr Terry, General Manager, Coal Services, FreightCorp, 126 Church Street, Parramatta, New South Wales 2150	247
MARSHALL, Mr Neil, National Organiser, Australian Manufacturing Workers Union, 136 Chalmers Street, Surry Hills, New South Wales 2010	305
MORRIS, Ms Lesley Christine, Economic Development Planner, Cessnock City Council, PO Box 152, Cessnock, New South Wales 2325	314
PANIGIRIS, Mr George, Assistant Secretary—Transport, Australian Services Union, Level 5, 35 Regent Street, Chippendale, New South Wales 2008	293
PEDERSEN, Mr Gary, General Manager, Strategy and Corporate Affairs, FreightCorp, 126 Church Street, Parramatta 2150	247

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Present

Mr Peter Morris (Acting Chair)

Mr Hollis

Mr Wakelin

Mr Marek

Mr Willis

Mr McDougall

The committee met at 8.46 a.m.

Mr Peter Morris took the chair.

ACTING CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, and our inquiry into performance and efficiency of Australia's rail systems. Today in Newcastle is our third day of public hearings.

In opening the proceedings I should emphasise that, in addressing the terms of reference, the committee's role is not to lobby the Commonwealth government or any other government in support of individual rail proposals. Some submissions read a little different to that, but that is the committee's role. The committee's role under the terms of reference is to investigate how rail can operate better now and in the future and to report its findings and recommendations to the parliament.

Our rail systems have performed a vital role in the development of our nation, albeit wiping out our river transport systems and our horse-drawn transport systems. As members of the committee look at the changes in technology in rail we think back to what rail did to other forms of transport.

The public hearings this morning will enable the committee to take evidence from officers of the New South Wales Department of Transport, and FreightCorp. This will provide the committee with a state perspective on issues being considered in the inquiry, especially as coal is a major earner for FreightCorp and a key product of this region.

Evidence will then be given by A. Goninan and Co., a Newcastle manufacturer and key provider of rail products in Australia. Also appearing this morning are two unions—the Australian Services Union and the Australian Manufacturing Workers Union, some of whose members are closely involved in the rail industry nationwide.

This afternoon we should be hearing evidence from the Cessnock City Council and the Greater Taree City Council. The committee believes that their evidence will reflect community thinking about rail transport as well as local council concerns.

[8.48 a.m.]

DI BARTOLOMEO, Mr Lucio, Managing Director, FreightCorp, 126 Church Street, Parramatta, New South Wales 2150

KEARNEY, Mr Terry, General Manager, Coal Services, FreightCorp, 126 Church Street, Parramatta, New South Wales 2150

PEDERSEN, Mr Gary, General Manager, Strategy and Corporate Affairs, FreightCorp, 126 Church Street, Parramatta 2150

ACTING CHAIR—On behalf of the committee, I welcome everyone appearing before the committee today. Before proceeding, I wish to advise all witnesses that, although the committee does not require evidence to be given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. However, the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Similarly, evidence given before the committee carries with it the same protection as parliamentary proceedings.

First, I will introduce the members of the committee and staff to you. On my far left is Graeme McDougall, the member for Griffith, which is south western Brisbane. Next to him is Barry Wakelin, the member for Grey, which is almost all of South Australia—to the north and to the west. On my immediate left is Meg Crooks. Meg is the secretary to the committee. On my right is Colin Hollis, the member for Throsby. Colin's electorate is based around Kembla, a somewhat sister city to our region here. Next to him is Paul Marek, the member for Capricornia, which is centred around Rockhampton. So you have got a good representation from around Australia and from different sectors of industry.

We have looked through your submission. We have some questions to start with and we will move on as time progresses and depending on the responses you give to questions. I will leave it to each of you to decide who answers the questions. What do you see is the Commonwealth's role in the industry? What do you see is the role of the state government? You say in the submission that the government should play an enabling role rather than a service delivery role. Could you elaborate?

Mr Di Bartolomeo—In the environment that is currently evolving in rail, with the clear separation between the infrastructure provider and the operators, FreightCorp has a view that the government's role is very much within the realm of being able to provide that base infrastructure—that is, the common infrastructure that enhances and enables the effective operation of multiple rail operators competing on the network. We see it very much as just that—ensuring that there is an efficient infrastructure provided and that access to that infrastructure is provided on a basis that is most effective for rail and most effective and certainly comparable in terms of a general land transport policy vis-a-vis road transport in Australia, not unlike very much the provisioning of the basic road

infrastructure to service road operators within the country.

ACTING CHAIR—In the real scale of things, where do you rate in terms of size, volume and distance of track? Are you a pretty small operator or a large operator?

Mr Di Bartolomeo—In terms of Australia, we are probably the second largest rail operator after Queensland Rail.

ACTING CHAIR—And in terms of Europe and the US?

Mr Di Bartolomeo—However, in comparison with US operators, the largest US operator—the recently merged UP/SP—has a revenue turnover that is approximately \$US10 billion. So we are a fairly small-time operator once we start stepping outside our shores, whether it be in comparison with US or European railroads.

On the one hand, we do have a quite extensive rail network in terms of track kilometres, in the sense that we have a country of a similar dimension geographically to the US but with a population base that is less than one-tenth. In fact it does not have the same overall production level in terms of its exports—so the total quantum of freight is far smaller. We pale into almost insignificance when you look at some of the US rail operations and what is possible in terms of scale of operations and levels of efficiencies that emerge purely from scale as opposed to practice. So we are quite different in the market sense here in Australia.

ACTING CHAIR—So in terms of fragmentation, we are almost becoming a micro system. The numbers would be micro systems, wouldn't they?

Mr Di Bartolomeo—Correct. In fact the only areas where we show any potential scale and therefore opportunities of achieving like type comparisons with some of our US counterparts are in those select markets where we are basically export oriented. I guess I use the Hunter Valley as a classic example of that where the volumes start approaching the sorts of volumes that you might find in similar sorts of operations in the US. However, even there, our average haul from the Hunter Valley is 110 kilometres—a fairly short haul. In the States, an average coal haul distance is approaching 1,000 kilometres. So not only are the volumes still higher even in coal, but the task is also much greater again because you have the distance component which we do not have. But there are pockets no doubt.

A classic example, apart from the Hunter Valley, is the iron ore railways where there is high density freight concentrated over small distances. But when you change to more general freight, the domestic movement of freight within Australia servicing the various capital cities, then we are really talking about small volumes. The notion of two million to three million tonnes of freight that exists on rail between our major capital cities would, in American terms, almost make those corridors short-line operations. While we very much consider that they are our main lines; they are the bread and butter of the

Australian rail network.

ACTING CHAIR—You talk about access in your submission. Have you thought about opening up competition in the privately owned rail systems? Should competitors be allowed to operate those systems?

Mr Di Bartolomeo—In the US?

ACTING CHAIR—No, in Australia.

Mr Di Bartolomeo—I am not aware of any discussion that is occurring in terms of the privately owned bulk iron ore railways and, given the nature of that railway being generally to serve one client, one owner, it is unlikely that will ever be the case. In other words, it is the owner that is making a decision about how they move their product from their mine to the port.

ACTING CHAIR—An interesting comparison, which we will touch on a bit later, was drawn with sea transport which link into the whole lot.

Mr Di Bartolomeo—Yes.

ACTING CHAIR—We moved straight into questions and I did not provide you the opportunity to make a brief opening statement. Is there a brief opening statement that you would like to make?

Mr Di Bartolomeo—I did have a brief opening statement and, if time permits, I would like to present it.

ACTING CHAIR—Please proceed.

Mr Di Bartolomeo—I would first of all like to thank the committee for the opportunity to present FreightCorp's position on the role of rail in the national transport network and to welcome the committee to Newcastle. Newcastle is a very important and major centre as far as FreightCorp is concerned. It is our largest single centre of operation.

Over 75 per cent of all our freight is destined for the area of Newcastle. It is obviously dominated very much by the coal from the Hunter Valley but it also includes almost half of our total grain flows that go to export here at Newcastle—the other half going to Port Kembla—and a number of other minerals and general freight movements that flow to and from Newcastle.

Last year we did over 55 million tonnes to the port of Newcastle. This year we will be looking at well over 60 million tonnes to the port of Newcastle. The single area of greatest growth is our coal operation. Specifically, 51 million tonnes of coal came into Newcastle from the Hunter Valley region for export last year, and we are anticipating something over 60 million this current year. So we are experiencing some quite dramatic

growth.

Members of the committee might be aware that over the last six months or so there have been some fairly significant queues of ships off the port of Newcastle. There is a lot of reasons why that has come about but certainly one of them is quite unprecedented demand for Hunter Valley coal at this point in time. While we might only do about 60 million tonnes this year, over the last month or two we have actually been operating at an annualised rate of over 70 million tonnes per annum. In fact, during January we have broken a number of weekly, daily and monthly records.

Reflecting the fact that this is our growing business, it is an area where we are not only continuing to invest in coal but also having a number of contracts to expand our wagon fleet. I am pleased to say that we are fully utilising contractors in the region. A. Goninan, which I believe is presenting later in the day, is our supplier for wagons. We only recently let a second contract for wagons to further accelerate that acquisition program.

Newcastle also happens to be a centre for our own maintenance centres for both wagons and locomotives. A facility to maintain the newest part of our fleet, our 1982 class locomotives, which was obtained through what is known as a ready power acquisition in the early 1990s where our locomotives are under lease and maintained by another contractor, Clyde Engineering, is also located here at Kooragang Island.

However, there are a number of points I would like to make to the committee today. Reforms to the rail industry across Australia have allowed for competition in industry. There is no doubt that competition has and will continue to drive efficiency and improvements in the service delivery of rail in the marketplace. This committee, however, needs to be mindful of the scope of the competition within the rail industry. This scope relates not only to the capacity for growth in rail freight tasks but also to the operational economies of scale that come into play in rail. Comments on the limited scope of sustained competition on the east-west corridor has already been made to the committee in previous hearings.

It is FreightCorp's view that, while the new environment may initially attract a number of operators, the market is not large enough and the margins are not high enough to sustain more than two or three major operators in the medium to longer term. The North American experience bears this out. With a market estimated to be 20 times the size of Australia's and a significantly larger export task, following amalgamations there will only be four class 1 railways in America—and the example I gave before was one of those with the UP/SP merger—supported, however, with a number of smaller regional or short-line operators working largely not in competition with the class 1 but in fact in alliance with the class 1.

The new operating environment has virtually eliminated the distinction between inter and intrastate operations. Operators are no longer limited in their pursuit of business

on the basis of whether the task is to be undertaken within one jurisdiction or whether the operator is required to cross a state or territory border. The national rail highway concept is supported by FreightCorp and, where operators wish to pursue business across jurisdictional boundaries, it would be ideal for access to be arranged on a seamless basis.

The Commonwealth's initiatives towards this are strongly supported. It must, however, be remembered that in Australia today the rail freight task is primarily intrastate in terms of volumes moved. Initiatives which promote ease of operation across jurisdictions for interstate operations must ensure that they do not concurrently create jurisdictional interfaces for intrastate operations. In New South Wales, the rail network is not clearly divisible into interstate and intrastate definitions as may be the case in other states where, generally, a change in gauge is the differentiation between different parts of the network. In New South Wales we have a standard gauge and one common network operating for both inter and intrastate operations. While it is clear to identify maybe one corridor as being predominantly one or the other, there are quite significant areas of overlap between the two operations.

Sustainable improvements to the operation of rail in Australia will arise when integrated land transport policies are developed which consider the competitive advantages offered by each mode in undertaking the required transport task. However, the true role and value of rail in the overall transport task will not be able to be fully assessed until the pricing distortions in mode choice which favour road are eliminated.

It cannot be emphasised too strongly that the relatively small and geographically isolated Australian market, which we spoke of earlier, combined with the size of the infrastructure investment already made or required for rail, has led to considerable underutilisation of the network. Policy makers must recognise that, for the rail industry to survive in Australia, it will generally not be possible for access bodies to set prices based on full cost recovery, given the network utilisation and the pricing of roads which are provided as a public good. This is the case even in those circumstances of rail dominant market share on individual corridors. Under such a pricing system, much of the national network will not be economically accessible to the market, further reducing utilisation and hence increasing cost of access.

Given the development of a truly integrated land transport approach with appropriate funding, taxation, regulation and access arrangements that provide for competitive neutrality with road, rail is well positioned to deliver significant benefits to the community, governments and customers. I would like to conclude my introductory remarks at that point.

ACTING CHAIR—In your perfect world, what cargoes would shift from rubber wheels to steel wheels?

Mr Di Bartolomeo—I think there would be a significant portion of general freight,

particularly long distance general freight, that would shift from road to rail if we believed a more cost neutral approach had been taken on the pricing regime.

ACTING CHAIR—I have read the submissions and all the submissions are generalities, no-one is cargo specific. It is like a wish list.

Mr Di Bartolomeo—I guess it is how you would want to define the market.

ACTING CHAIR—You are the major operator in the nation. You ought to know what cargoes you are talking about. It is not good enough to generalise.

Mr Di Bartolomeo—I classify it as not light density, urgent next day delivery freight but second morning and plus freight of a bulk nature. I think a lot of that part of the market could transfer from road to rail in the sort of regime that we have spoken of.

Mr McDOUGALL—You mentioned that 75 per cent of the freight in New South Wales operates through Newcastle. How do we look at that in the alternative to train movements? How does that reflect train movements?

Mr Di Bartolomeo—The percentage of train movements would be somewhat lower than that. That is really a reflection of the fact that the trains that operate here in Newcastle are the largest trains we operate on the network—trains up to 10,000 tonnes gross carrying about 8,000 tonnes of coal. So the actual train movements are a lower proportion of the tonnage movements by the very nature that we run much longer, heavier trains here in Newcastle while, for instance, general freight trains, container trains, that are more predominant over the rest of the state are more of the order of 2,000 tonnes, 400 or 500 metres long. There is a smaller number of trains coming into Newcastle relative to the volume moved.

Mr McDOUGALL—Based on that answer, why have you got the congestion in the other parts of New South Wales that interfere with interstate freight movements?

Mr Di Bartolomeo—I do not believe we have any major congestions that interfere with interstate freight movements. We are not suggesting that we should have. I am assuming you are making some reference to some of the points I made earlier. I think it is a worthy pursuit to eliminate jurisdictional boundaries and all of the regulatory and access differentiation that occurs right now at the border. I think it is lauded that we should be eliminating that and making those movements easier.

All we can ask is that in doing so the solution has to ensure that we do not have capacity constraints but similar jurisdictional regulations; in other words, in access charge we would rather not have to deal with one body when one of our intrastate trains is on the interstate network and another body when it is on notionally part of the intrastate network. If we are going to have regulations, whether they be about safety and how we run trains et

cetera, we do not want a dislocation; we want consistency, not unlike what has been attempted to be achieved rightly so far for interstate operators.

Mr McDOUGALL—Why do we keep hearing constantly that the curfews are getting worse and that when we get to the year 2000 they are going to be such that interstate rail from Victoria through New South Wales to Queensland in the container freight will not be worth running because of the curfews through the back of Sydney?

Mr Di Bartolomeo—I was not specifically addressing the interface between freight trains and passenger trains in my last question. What I was addressing was: potentially was there a conflict between infrastructure and interstate freight trains? My answer is no there is not. You are quite right. Within the metropolitan area there is a quite significant interface between freight trains generally and passenger trains. At the moment that interface has things like curfews for morning and afternoon peaks. The opportunity for trains getting paths either into or out of the city or through the city in the example you gave is of concern.

Let me give you the example of our coal operation from the western coal fields to Port Kembla. We ideally would like to run that operation as we do our Hunter Valley operation—24 hours a day, seven days a week, constant movement of rolling stock, quite efficiently utilising our resources here in the Hunter Valley. However, for the western coal fields our trains, by and large, travel on the electrified metropolitan area, down from the mountains from Lithgow all the way through the city. We undertake some on the freight lines in some parts where they are isolated and then down to Port Kembla. Because of that, we have a curfew of about four hours in the morning and four hours in the evening when we cannot run the trains. As it is, we do get sufficient paths at night time and sufficient paths between the curfews to be able to run those trains, so we get our volume through.

However, the cycle time for one of our trains is far longer than it might otherwise be in an ideal situation, where we could load a train, keep it running all the way through to Port Kembla, unload it and keep it running back. But, because of the curfew, we have to hold the train either under load or empty, depending on which way it is going, for up to three or four hours at various staging points waiting for that clearance to run. It is not capacity constrained in that particular example; we have plenty of capacity. But it means we are not getting the most efficient utilisation of those particular assets—locomotives, wagons and crews, for that matter—because of those curfews.

Mr HOLLIS—Surely you are not getting the most efficient use because of the state of the line on the south coast as well where you have weight restrictions, bridges ready to fall down, or so we hear, and all sorts of problems with that south coast line? Surely your lines here, where you have a much better topography, are much better than trundling down through the Sydney suburban system and then that south coast railway line, which is always out for repairs? Surely that must have an impact on the efficient

running as well?

Mr Di Bartolomeo—There is no doubt that in the Hunter Valley, because of the total volume that is involved and the fact that we have dedicated coal lines, has allowed us in the past, before vertical separation, to make investments in things like heavy rail and concrete sleepers. We run 120-tonne wagons, 30-tonne axle loads. Our heavier locomotives, our heavier wagons and therefore our most efficient operations are able to run in the Hunter Valley. Elsewhere in the system—not just in the metropolitan area, but in the rest of the state—axle loads are restricted to 25 tonne axle loads.

I have to say, though, that I do not believe we have an unsafe situation anywhere in the metropolitan area. But, quite rightly, there are other infrastructure limitations that say that we cannot run as long a train or as heavy a train as we do in the Hunter Valley. Whether we could justify the investment for the sorts of things that we have done in the Hunter Valley, given the much smaller volume, however, is a separate point. I guess we have 60 million tonnes of coal justifying the investment we have made up here in the Hunter Valley. But in the western coalfields we have about 7 million tonnes of coal. So there is a smaller base of business to justify that significant investment. Yes, we do have restrictions. I do not put any of them in a safety category. I certainly do put a lot of them in a time based delay and a cost impact category because of that.

ACTING CHAIR—We have a lot of questions to get through. Mr Di Bartolomeo, maybe you could shrink the answers a little bit.

Mr Di Bartolomeo—I will try to be more succinct.

Mr McDOUGALL—Can I take that point a little bit further, because I am starting to think that you are contradicting yourself. One minute you are talking about getting cost efficiencies in rail—I presume therefore to do two things: to make a profit and to attract business. Then you say, ‘No, we don’t want to put any investment in it because really it’s not going to pay us. We’ll run inefficiently. We’ll have bad times. We will then not be able to offer competitive prices.’ Aren’t we then going to force things back on the road? Aren’t you contradicting yourself?

Mr Di Bartolomeo—I will try to be as concise as I can. You are quite right. We are always attempting to grow our business and do so on a profitable and commercial basis. But any investment—and we will consider any investment, just as we are investing today in wagons for the Hunter Valley—needs to be borne relative to the market and whether there is the business there to be had. Right now we have 100 per cent share of the western coalfields. So there is little more we can gain unless the market itself grows. In fact, right now we are seeing the opposite occur, with one of the mines being recently closed, given the dropping coal price from the western coalfields. I am saying that investment needs to always be made with a view to what return you can get on that investment. My only question there was that I am not sure we could make similar sorts of

levels of investment in the west as we were able to in the Hunter Valley.

However, given the investment we do have—and we have made investment both in locomotives and wagons—we would like to see that investment fully optimised. At the moment there is no doubt that the curfew periods in the metropolitan area underutilise our resources and, obviously, therefore, our trains are not operating as efficiently as could otherwise be the case.

Mr McDOUGALL—You can spend all this money; you can make all this investment; you can build the new trains and build the new track. I walked to the beach this morning and there were 30 ships sitting out there. The intermodal system does not seem to be working too well. What is the benefit in making all that investment, if at the end of the day the product is going to come to the wharf and sit because we cannot get it out? Isn't that going to add cost? Which is the cheapest for government investment?

Mr Di Bartolomeo—Right now, you are asking a question specific to Newcastle.

Mr McDOUGALL—I have seen a lot of ships off Port Kembla.

Mr Di Bartolomeo—I am happy to turn this question over to Terry Kearney who can give you some more detail.

Mr Kearney—I think we can say that Newcastle and the Hunter Valley is blessed by the level of demand for coal out of this region at this point in time. Indeed, it was not all that long ago when we had nearly 50 ships sitting off the port; the arrival rate of ships far exceeded the nameplate capacity of the port. The port currently has a nameplate capacity of 66 million tonnes; FreightCorp has a rolling stock fleet that is aligned with the port capacity.

What has occurred over the last two months is that the queue has been whittled back. Today there are four ships loading coal, there are 20 coal ships sitting off there and there would be a few more freighters waiting out there too. The queue keeps coming down. Over the last two months we and Port Waratah Coal Services have been operating in excess of 70 million tonnes.

Mr Di Bartolomeo earlier mentioned our fleet expansion plans. In fact, between now and the end of this year, we will bolster the fleet in the Hunter Valley, and by November we will have a fleet that has a capacity of 90 million tonnes, capable of meeting any peaks that the port itself can accept. So walking in step, marching in step with the coal industry and Port Waratah Coal Services, we believe the investment strategy we are pursuing is providing Newcastle with the necessary logistics chain that will cater for the future.

ACTING CHAIR—I think, my colleague, 'the choke' is the rate at which you can

pour coal into a ship's hold. We will talk about that later.

Mr WAKELIN—Can we just focus on infrastructure investment for a little while? In your submission you talk about the road with \$32 billion, \$1.5 billion into rail—all of those old hoary chestnuts that no doubt are well debated and will be for a long time to come—and, even in the last year, \$175 million in rail over four years. In the perfect world and with the funding balance you thought most appropriate for the transport task between road and rail, have you ever made any prognosis or hypothesis about what sort of volumes and what sort of percentages you might shift across from road to rail?

Mr Di Bartolomeo—In the bulk freight area, basically there will not be any shift from road to rail because we dominate, whether it be 97 per cent of the coal that comes into Newcastle, 80-odd per cent of the grain and a similar sort of proportion of market share in minerals. The area that has the potential and, I think, relates to part of the chairman's question earlier as to what freight can change over, on an intrastate basis—if I can focus on that one first because that is the market we are trying to make further penetration on—we currently, for instance, move 12 per cent of the import-export boxes that come through the port of Botany. We have plans in place that, we believe, over the next five years will shift that 12 per cent to 30 per cent.

However, I believe that, in an environment where there is the sort of balance we are talking about, we could see that 30 per cent in container traffic, for instance—that is, both metropolitan and country bound—increase to something closer to 60 to 70 per cent. For Sydney right now, that is 800,000 containers every year; in fact, by the year 2000 that is expected to grow to 1.2 million containers. So I am talking about 60 to 70 per cent of 1.2 million containers.

Mr WAKELIN—And they will be coming straight off road to rail.

Mr Di Bartolomeo—Straight off ship onto rail, and vice versa, yes.

Mr WAKELIN—But it will be a shift across, if you get the point.

Mr Di Bartolomeo—Yes, it will be a shift across from road to rail; that is correct. In the interstate market, currently, for instance, Sydney-Melbourne has a little over 20 per cent on rail. In an environment where we have this so-called mythical, magical level playing field I think a proportion of 50 per cent plus, particularly with intercapital freight, is achievable. I think that is what we should be aiming for.

Mr WAKELIN—What are the main impediments to that shift?

Mr Di Bartolomeo—Let us take I think—

Mr WAKELIN—In policy.

Mr Di Bartolomeo—In policy. I guess I am thinking of it in terms of what physically stops us in the marketplace when we try to compete on, say, a Sydney-Melbourne corridor. Basically, we have a corridor where point to point train movement, even with a super-freighter—the fastest, best, that we can put together in terms of priority of paths and in fact getting some of those curfews et cetera—still gives you something like a 13- to 15-hour transit time Sydney-Melbourne.

Mr WAKELIN—Hence your comment about the 100-year—

Mr Di Bartolomeo—Yes. We still follow the same alignments. We have made incremental improvements over the years but not much more than basically maintaining the existing track. That 14-15 hours coupled with the fact that it is an intermodal at the end of the day and it has to be eventually got to door ends up being 20 hours plus. That is why I say that becomes second morning, second day delivery. We are just not able to compete with that just in time delivery market, which requires next day delivery. What we need is a corridor that goes very close to eight to 10 hours, not unlike road. Even though we have to then still wear a penalty of another four hours—

Mr WAKELIN—You need to halve it—

Mr Di Bartolomeo—If we could go from the 14-15 down to about eight or nine, we would be very competitive—not for all the market. There would still be a premium for some faster road movements, more direct point to point, but rail could pick up a much greater and significant share.

Mr WAKELIN—In relation to the international perspective of the US, what is—I do not know it; no doubt we can find out—the ratio there? We seem to regard the US, and I guess the Europeans as well, as the best practice model in many ways. Do we know what the transport task is?

Mr Di Bartolomeo—It varies considerably over different corridors. The proportions are quite high on some of the long distance, heavy volume corridors—they are getting 40 to 50 per cent—while on other corridors it is down in that 10-20 per cent.

Mr WAKELIN—These are my last couple of questions. Significant investment is being made in the Pacific Highway. In your submission you make the point that in actual fact that investment will tend to drag freight away from rail.

Mr Di Bartolomeo—If we see over the next decade the sort of development of the Pacific Highway that we have seen over the last couple of decades with the Hume Highway, there is no doubt that there will be a further shift away from rail to road.

Mr WAKELIN—Yet in your mind quite clearly we have the potential to shift it back significantly.

Mr Di Bartolomeo—Do the other way. This is why I say there needs to be an overall land transport policy. I do not believe we need a rail transport policy that tries to fight it. It needs to be an integrated land transport policy that makes best judgment. I do not want to give the impression that I would like to see all investment go into rail and no investment go into road. I think there needs to be a balance. It is a balance that we do not have today.

Mr WAKELIN—Just a supplementary: you mention the \$175 million and in previous times there was significant subsidisation and a whole range of indirect transfers, which maybe we would need to get a more direct understanding of.

Mr Di Bartolomeo—There is no doubt that one of the reasons rail has suffered over the years is that not only has it not had what I would call an equivalent level of investment to road and an appropriate level of investment but rail has also been its own worst enemy. It has been inefficient in the way it has operated. It has maintained practices that should have been outdated long ago. It has supported large losses. Instead of government funds, whether it be state or federal, coming in to support losses, it would have been nicer if those funds had been converted into investment.

But this is changing now. We are going down a path where by the very nature of the competitive environment we are opening up, and with the private sector coming in, those losses cannot be sustained. We will not operate if we are sustaining losses. I guess we are saying that we are fixing that part of the equation. We are going to go down a path, whether we like it or not, of having at least an operating system that is fairly efficient. However, the other part of the equation is that it needs to operate on a correspondingly efficient infrastructure network—

Mr WAKELIN—And be balanced.

Mr HOLLIS—It was interesting what you were saying about the states. Obviously, the individual states are not quite as parochial as our states. That may be one of the reasons why you can cross them. I would like to follow on a little in regard to infrastructure investment. You will find no argument from me about what you are saying. It is so obvious that what we need is a whole land transport policy or strategy. This is as much a comment as a question. When we talk about freight to the south coast, to Kembla and places like that, we have the two largest bulk handling ports outside the Sydney metropolitan area, and rightly so—Kembla and Newcastle. Why has there been so much reluctance to fund the Maldon Dombarton railway, when in regard to the Western coal and things like that you can bring it straight down there? You would not have to go through the Sydney suburban network. You could do that with so many of the bulk commodities. No bulk commodities to Kembla come from Sydney. They either come, occasionally, from the Hunter or from that area. Yet they all go through the Sydney metropolitan area, which must put an immense cost on them as well as tying up so many rails, both passenger and freight. It is ludicrous.

Mr Di Bartolomeo—Can I tackle some of the issues there? We were a vertically integrated operation. Some time ago we commenced the Maldon Dombarton project on the basis that it made good financial sense to build it. But at the time we were forecasting that coal from the west and the southern highlands would grow from what was even back then about 6 million to 7 million tonnes to well over 20 million tonnes. The project was started on that basis and to help service that demand ahead of it coming along. However, well before the line was completed—after only a small part of it had been undertaken—it became clear that the projections that the industry was making about what was going to happen to tonnage in the mid-1980s and early 1980s were no longer sustained. The reality has been that the western coalfields have not grown; they have largely remained stagnant, unlike the Hunter Valley, where the projections did eventuate and where we have seen investment go on. In the west they have not.

I fully support your position that extra operating costs are incurred by FreightCorp and, for that matter, by any other operator that was going to have to go through the metropolitan area and go through all the restrictions that you are well aware of. But those operating costs at this stage, I have to argue, would still be lower than the cost of servicing the capital for an investment like Maldon Dombarton.

As an operator who does not make the investment in infrastructure, I guess if that investment was made and was available and I could get access to that track at a less than full cost of capital I would love to be able to go through that way. It would reduce my operating costs. However, if the access charges I would be charged were to try and raise the full cost of whatever investment was required to complete the Maldon Dombarton project, we could never afford it—our customers could never afford it. I guess there lies the heart of the debate between road and rail. Rail investments today are asked to sustain themselves on a fully financial basis. The rail user would have to pay for the full cost of capital and sustain the investment on that basis.

I will not argue for the Maldon Dombarton line to be recommenced because I do not believe that with the tonnage we have at the moment we could justify it. But there is no doubt that, if similar criteria were used for investment in road, we might find that a lot of road projects would not proceed either. That is an issue.

Mr HOLLIS—That is my exact point. That is why I very much support what you are saying about an integrated transport policy. You used the example of the Pacific Highway and you rightly made the point that the millions of dollars that have been put in the Pacific Highway will inevitably increase heavy freight on the Pacific Highway.

Mr Di Bartolomeo—It has to.

Mr HOLLIS—But what no-one says is it will also inevitably, despite the better roads, increase the road accidents if you are going to put all that extra freight there. No-one costs those accidents every Easter and every Christmas. They cost them when they are

trying to justify extra funds for the Pacific Highway, but no-one says, 'We should put some of those funds to improving the north coast rail line and, therefore, take some heavy freight off the Pacific Highway and lessen the possibility of accidents.' That again is an economic benefit to this country.

Mr Di Bartolomeo—I am not sure whether improving the Pacific Highway is going to make it safer overall or not. But putting that specific example aside, the more general question you are asking is: are the costs of safety and all that goes with it and the costs of the environmental impact in terms of pollution—I guess more prevalent in metropolitan areas—appropriately factored into those investment decisions? I am suggesting they are not factored in at all. I am suggesting as part of this so-called balanced approach to investment to base infrastructure, whether it be road or rail, that all of those factors should be accounted for. I will not make judgment as to what that conclusion means, but they should be accounted for. Right now they are not. Right now investment between the two modes in terms of infrastructure are made on very different bases.

Mr MAREK—From listening to the conversation so far one would get the perception that the only things FreightCorp moves is coal and ore, but I want to take a slightly different line. As a small business operator in the smash repair industry for nine years, I attempted to freight panels—doors, bonnets, guards and those sorts of things—by rail. If they made it to the destination—more to the point, undamaged—I was pretty happy. What has your operation done to fix the problem and this perception within the business sector that ultimately road is more reliable and you do not shift parts on rail?

Mr Di Bartolomeo—First of all you are obviously talking about Queensland Rail and not FreightCorp—I apologise to Vince O'Rourke. Again I hark back to my point that I believe there is an appropriate role for both road and rail in providing freight services. FreightRail also was involved in the small freight business, attempting to move not full wagon or full container loads but small parcels of freight. Frankly, my view is that that is not what rail is largely designed for or best suited to—not to say it cannot do it, but it is not best suited to it. I believe that is more suited to road, just as I believe there are lots of other freights either because of the timing, the quantities, the volumes, the destinations and the origin that suit road rather than rail.

I believe rail is better suited to bulk, heavy volumes, concentrated volumes, long distance freight, freight that is at least able to be containerised and freight that is at least a container load, not less than a container load. Those are the things I think rail can do well as opposed to road. Rail has attempted to do things outside of those things that it can do well and I think by and large it has done itself a disservice.

Mr MAREK—Looking at that and looking at places like rural Australia, you often hear people in small communities saying, 'Trains used to come here once upon a time. We used to be able to get milk, parts or bits and pieces freighted out to the rural areas.' Now that I actually hear large companies saying, 'We're better off sending it on a truck

anyhow,' it shows why rail has stopped travelling to rural areas of the country. As you just said, from industry, from people like yourself, there would be a move afoot to stop using rail out into rural Australia. From my point of view, I tried shifting stuff on rail and it was considerably cheaper than road, which was great, but at the end of the day it was not reliable.

Mr Di Bartolomeo—Correct. There is no doubt that there has been a natural progression from rail to road with a lot of that traffic. It was as inevitable as the shift from dray to rail and from river barges to rail in the past.

ACTING CHAIR—You decimated the horse drawn transport industries.

Mr Di Bartolomeo—We certainly did.

Mr MAREK—It is good to see we can blame somebody else, rather than the government, for taking services out of rural Australia.

Mr Di Bartolomeo—However, a major difference is that horse transport and by and large river transport have disappeared in this country; rail transport should never disappear in this country. There is a role for it. While I might argue that it does not mean its role is for everything and everyone in all locations, there is a significant role for rail to play. Providing we do not try to use it for the wrong things, rail will do what it does best very well.

In FreightCorp, we are attempting to re-establish ourselves in many rural centres with the advent of container terminals at a number of major centres throughout New South Wales. We have opened it up. That will support our base intermodal strategy of increasing the container movement percentage of the market share from 12 to 30 per cent. So there are areas where we can grow—in the rural areas—but it does not mean we go into a rural town and service every need of that particular rural community.

Mr MAREK—From there, I guess another question that the committee is interested in to some degree is the gauge of track and various safety systems from state to state. With that in mind, does that cause operational or economic problems to your operation?

Mr Di Bartolomeo—Yes, I guess there are two levels of inefficiency. Firstly, some of our systems we use are outdated and there are improved systems of operation which I think we need to introduce quickly. The other dimension is that, whatever we introduce, whatever direction we go, we should do so on a uniform basis so we do not continue promulgating different solutions for different jurisdictions. We clearly do not want that. No operator wants that. There are opportunities to improve our position by making better use of more modern technologies and systems that are well proven internationally. As we go down that path, let us make sure it is uniformly applied on a national basis.

Mr MAREK—Where would you consider the problem is? You hear so many people saying, ‘It should be done now. It should be done immediately.’ I have heard people saying that for years and years. Where is the restriction? Who is stopping it from happening from your point of view? Is it the government or is it other bodies?

Mr Di Bartolomeo—There are a number of reasons. There is the fact that simply it has been jurisdictional. Different governments—state and federal—have taken different approaches to these solutions. It is also funding related. Clearly, some of the investment for renewal has not occurred in some of those areas, as it might otherwise would have in an environment where there was greater access to some of the funding for improvement that we required. It is part of the problem we have been debating all morning. They are the two reasons we have had this kind of anomaly and the problem has been there.

My view of what is happening in rail at the moment—taking a broader national perspective—is that there seems to be a general desire to try to overcome some of these problems. Never before has there been at least a consistency in wanting to reform the industry. If we can funnel all that effort in a consistent manner, we could really achieve something pro rail.

Mr McDOUGALL—You said in your submission that you believe that fuel excise should be hypothecated by the Commonwealth to fund the rail infrastructure. Let us take an interesting subject at the moment—it is called tax reform. Let us say for argument’s sake that fuel excise does not exist anymore. How do you believe then that a hypothecation system should operate by the user of the freight, by the operators, to be able to continue this research and development which you admit is desperately needed because of the bad track systems that we have? We have patched up track systems. We know that there is development coming in in locomotive and carriage development. How are we going to get this hypothecation of research and development and infrastructure either through government or the private sector if we have a change in the tax system?

Mr Di Bartolomeo—There is no doubt that the users of the government’s infrastructure, whether it be road users or rail users as operators like FreightCorp, need to pay for the use of that infrastructure. We pay it at the moment through an access charge to the bodies who are currently responsible for the network. Road users pay through a combination of different avenues—registration charges and, notionally, a diesel excise—and supposedly half is hypothecated to help road funding.

We are not saying they should not be paying anything. They should be paying it, as we should. So the issue is: do we have an appropriate taxing regime at the moment that taxes road users, the road operators, who are our competitors, in such a manner that there is some notional level playing field in terms of what we are paying to get access to this base infrastructure that allows our operation to exist? Are we paying appropriately?

If in fact fuel excise is one of the means by which you elect to charge road

operators to get access to this track, we are saying that, if that is the rationale, why are we paying this fuel excise? If in fact some is hypothecated to road, should our portion be hypothecated to rail? Clearly, that is not so. As operators we should be paying. We are using an asset. We are earning our business by utilising this asset. We do want investment to continue. We do want research to continue.

The question is: how do we appropriately charge the users, the operators? Very specifically, how do we charge so we start creating this so-called level playing field that we all keep talking about between road operators and rail operators, given that we compete in many of the same markets? Ideally, we should compete on something of a level playing field.

ACTING CHAIR—Gentlemen, we have a series of more questions, but time is getting close. The chairman might want to bring you back at a later date to address some of the substantive questions. I will fire as quickly as I can, with the forbearance of colleagues, a number of questions, and maybe I could get some short, succinct answers to them. Mr Kearney, is the line saturated with coal traffic between the Hunter and the port? How much more capacity can you take?

Mr Kearney—No, it is not. There is ample capacity. From Maitland into the port, there is at least a capacity of 100 million tonnes.

ACTING CHAIR—Why are we hearing then at discussions in industry here that the line is saturated and has choked and there is insufficient capacity on the rail and it is rail's fault?

Mr Kearney—There is a need for some discrete infrastructure investments by the Rail Access Corporation in areas such as high speed junctions coming onto Kooragang Island and other areas, but the base infrastructure is sound.

ACTING CHAIR—What kind of coordination, what kind of consultation, takes place between you, the coal producers and the coal loaders in terms of organising and maximising the throughput of cargo into the port?

Mr Kearney—Operationally, daily coordination meetings take place either face to face or by telephone. Each day FreightCorp puts out to the industry a rolling rail program two days ahead of the actual program so that each afternoon the coal industry has an opportunity to discuss with us any adjustments needed to that program.

ACTING CHAIR—Why then do you think that industry is blaming rail partially for the inability to load ships?

Mr Kearney—I would question that industry is blaming rail. The industry itself recognises that the port at the moment has a nameplate capacity of 66 million tonnes.

Demand has exceeded 66 million tonnes and the industry itself, as owners of the port, is doing everything it possibly can to lift that capacity in the short term. Indeed, it is investing in the long term so that by September this year the nameplate capacity of the port will go from 66 million tonnes to 75 million tonnes. Our investment program is in step and will in fact be ahead of investment in the port.

ACTING CHAIR—Why then do you think industry is selling coal at a rate for delivery that is considerably in excess of the port's ability to load it?

Mr Kearney—It is an interesting question and it is one that many people have spent a lot of time pondering. But the industry itself has been marketing into North-East Asia in the environment where prices have been falling and it is still securing new markets for its coal. No particular company wants to be the first company to walk away from a sale.

Mr Di Bartolomeo—The real issue is that, when the industry goes out and markets, it does not market as a total industry. It is individual companies that are going out there, selling what they can.

ACTING CHAIR—Other submissions from the industry call for a further reduction in the coal freight rate. How does the corporation balance that with the \$120 million per year demurrage payments being made by the coal sellers?

Mr Kearney—We need to consider that, over more than a decade, the freight rates have headed only in one direction and that is down. In fact, over the past two years within the central Hunter Valley, with the reductions in rail access charges in combination with the reductions in our haulage charges, the freight rates have come down by some 25 per cent.

We have been working very actively with the industry in assisting to manage the demurrage issue. In conjunction with Port Waratah Coal Services and the industry, we have seen some vessels directed into Port Kembla over the last two months. So the industry, recognising that they are paying demurrage here in Newcastle, have taken the opportunity to direct vessels away from here and the savings that they are receiving out of the demurrage have effectively funded the additional freight rate down to Port Kembla. It has been a satisfactory outcome for the industry; it has been a satisfactory outcome for FreightCorp; and, in particular, it is a satisfactory outcome in terms of the perceptions of reliability of New South Wales as an exporter of coal.

ACTING CHAIR—Mr Willis has joined us. Mr Willis's electorate is Gellibrand in western Melbourne. He is also our former Treasurer. Mr Willis, do you have any questions?

Mr WILLIS—Firstly, apologies for being late. I should have come by train. Mr Di

Bartolomeo, I just wanted to ask one question supplementing what Mr McDougall was asking you after I came in and it relates to the question of the diesel fuel excise and reinvestment in the industry. Your submission, as I read it, says either you want elimination of the diesel fuel excise on the industry or the inclusion in the rebate scheme, which is another way of getting elimination, or reinvestment of what you pay into infrastructure in the industry. Now, which would you prefer? Is it better to have lower costs or more investment in infrastructure, given that it is unlikely you will get both?

Mr Di Bartolomeo—We believe that the elimination of the diesel fuel excise is the optimum position. We see that, through our access charges, we are paying for the investment back through the infrastructure. It appears to us that the diesel fuel rebate is used—at least in part—for funding back into roads and we do not see that that is necessarily an appropriate mechanism to see funding coming into rail.

Mr WILLIS—But if it was reinvested into rail, would you then be happy to pay the excise or would you rather just see the excise eliminated and not have the investment in rail?

Mr Di Bartolomeo—Our preference is to see the excise eliminated. But if that could not be eliminated, then clearly we would like to see a similar proportion of the hypothecation that occurs from the rail users' perspective to rail infrastructure. I think that would be a second preference.

Mr WILLIS—So it is better to reduce costs rather than to improve the infrastructure?

Mr Di Bartolomeo—I am saying I would like to tackle the infrastructure improvement more directly through the rail access charges where we have far better control rather than what I think is a circuitous and more indirect manner through the diesel fuel rebate.

Mr WILLIS—Okay, I get you.

ACTING CHAIR—Are there any specific legislative requirements for FreightCorp to haul specific items or to use specific routes?

Mr Di Bartolomeo—There is no legislative requirement for us.

ACTING CHAIR—Part IIIA of the Trade Practices Act, is it appropriate to apply that to rail and, if so, how should it apply? Should there be reasonable access for all?

Mr Pedersen—It applies currently in relation to the infrastructure. There is full and open access. So we are subject to the Trade Practices Act and required to comply with it.

Mr Di Bartolomeo—If you have an open access regime, that is quite appropriate, yes.

ACTING CHAIR—You make mention of FreightCorp having entered into a contract with GrainCorp to lessen freight charges during 1998. Can you briefly tell us about the background to that?

Mr Di Bartolomeo—There is an opportunity that we have been exploring with GrainCorp. Basically, given their distribution of resources—and by that I mean their people and where they are located—they load our trains right now at various silos. They have more of their people in some of the more distant locations on branch lines. We are exploring the opportunity of them taking over the train at a given point in the infrastructure, running the train out to those branch lines, loading the train up and then re-presenting the fully loaded train back at some other intermediate point.

What we are doing there is twofold. Firstly, given that they have staff out there who load the train, we think they could quite easily do the shunting and movement of the train. Given again that they have staff who are located geographically in more western parts of the state—at the extremities of the network, let us say—it saves a lot of our crews having to run out and go considerable distances from their base depots, where we then have to send call car drivers and cars chasing the train to relieve crews and change them over.

What we are doing is identifying an opportunity for a more efficient operation. It just so happens that, because of the peculiarities of GrainCorp resources, their staff being where they are and what they do, there is an efficiency that at this stage we have identified and we are working our way down to putting such an arrangement in place.

ACTING CHAIR—You have noted the Queensland and New South Wales representation on the committee before you this morning.

Mr Di Bartolomeo—Yes.

ACTING CHAIR—Since New South Wales, unlike QR, is disaggregated, can you tell us something about your views on vertical and horizontal integration? Perhaps we will do that in a couple of sentences, and you will tell us later—good, bad or indifferent?

Mr Di Bartolomeo—It depends on what you are trying to achieve. Simply put: ask any rail operator, and what they will say to you is that having a vertically integrated operation can lead to the most efficient utilisation of a given network. The ability to manage the interface costs between the above rail operation and the below rail operation is always more efficient if you are directly managing both ends of it rather than trying to tie it up in some contractual arrangement.

So, in terms of how I think one operator can best deal with its infrastructure, a vertically integrated operation is preferable. However, what that does not have and does not allow for in the most appropriate fashion is the notion of competition. In America, competition is achieved not by vertically disaggregating railways but, because of the very density of traffic and the network, what they often have is parallel routes. So competition is achieved between different rail operators by the extensive nature of the network.

Australia will never have parallel routes and competition occurring by different corridors. So, if competition is to be had, and if it is felt that competition ultimately is going to continue driving efficiency as opposed to one-off events when governments may wish to pursue a particular reform in an area for a short period of time, I think competition does have a role to play. If that is the primary driver, then open access and separating infrastructure from the rail operation is the only way to go.

ACTING CHAIR—We have not got time to go through it now, but perhaps you can give us something in writing on it later. But I am particularly interested in electronic data interchange.

Mr Di Bartolomeo—Yes.

ACTING CHAIR—You have mentioned in your submission the efficiency of the interface between the forms of transport; we have not had time to go into that. But is there a mismatch of working hours between rail, ports and road?

Mr Di Bartolomeo—I think those things are being overcome.

ACTING CHAIR—I think there is. But you can answer in writing, as I am running over time.

Mr Di Bartolomeo—Yes.

ACTING CHAIR—There is that aspect of it. Do we have too many freight forwarding agents? How efficient is the movement of freight between those three forms of transport where the linkages occur? I have noted your comments about Botany. But Botany has been an area that has been abysmally neglected by rail for many decades. It is good to hear that it is coming back in again. But please address those linkages.

Is there a common computer language between the three forms of transport? Are you doing your own thing separate altogether from what road is doing, which is quite separate from what the ports are doing?

Mr Di Bartolomeo—Yes, we are all separate. It is part of our intermodal strategy that I spoke of earlier that is attempting to get from 12 per cent to 30 per cent market share over the next five to six years. One of the key planks to that strategy is in fact

putting in place an electronic interchange of data. For instance, if someone is going to key in data relating to the identification of a container, that should be done once only whether it be by the port or us or anybody else and it should be shared appropriately in the whole chain.

ACTING CHAIR—It is not a problem for the shunter, is it?

Mr Di Bartolomeo—No. We want to make sure it is not a problem for the shunter. What we do not want the shunter to do is get involved in a whole series of number taking and then re-entering the data when he gets back to the office.

ACTING CHAIR—You might help us. That is fundamental to a lot of the progress you are talking about, the linkages, rather than just the line haul. So if you would like to elaborate that in another note to us I am sure the committee would be grateful to receive that. Mr Kearney, I suspect you have something more you want to add to the movement of coal or is it just the way you are looking at me?

Mr Kearney—Just picking up on the EDI issue, in the Hunter Valley we are rolling out what is known as automatic equipment identification at the moment, which is bar coding effectively every wagon and every locomotive in the fleet. We are putting in place a pooled database between ourselves and Port Waratah coal services in conjunction with the coal companies, so that when a train is loaded it is recognised immediately by the port—the train has been loaded with particular coal. I think that is one area where a new efficiency can be gained in how we manage our coal movements in the Hunter Valley.

ACTING CHAIR—Transfer that to containers at Port Botany.

Mr Di Bartolomeo—The principle is the same. We are just more advanced in coal than we are with the container. If I might have the opportunity to tackle one of the statements you made in regards to the industry seeing rail as a bottleneck to the problems that it has had here at Newcastle, I suggest that that is not in fact a view of the industry at all. I think the industry has accepted that the problems have been problems at the port itself and problems of the industry in terms of how it is over sold relative to the capacity of the port.

ACTING CHAIR—Gentlemen, thank you very much for your contribution and submission. If there is anything else, we will follow up by writing to you. If we would like to have you back, I am sure the chairman will attend to that.

[10.00 a.m.]

AUSTEN, Mr John, Principal Economist, Policy, New South Wales Department of Transport, Level 19, 227 Elizabeth Street, Sydney, New South Wales 2000

ACTING CHAIR—Mr Austen, welcome. It is good to see you. The proceedings of the committee are an extension of the proceedings of the parliament. They carry with them the same responsibility—I think you heard me saying that earlier so I shall not repeat it. Do you have a brief statement you would like to open with?

Mr Austen—I think it would be profitable if we go straight to questions and maybe I can expand on some of the questions.

ACTING CHAIR—And some of the answers given earlier.

Mr Austen—Yes.

ACTING CHAIR—I thought there might have been some policy interest coming across from the department on that. You have obviously looked very closely at the operation of state policy. I will give you one from left field. What role do state preferences play in the purchase of infrastructure for the varying state systems?

Mr Austen—That is entirely from left field for me. I have to take that one on notice.

ACTING CHAIR—There are state preferences for the purchase of rolling stock?

Mr Austen—I understand there are, but I would have to check that. I think the preference policy from my time in the industry department in Canberra is uniform between the Commonwealth and the states, but I would have to check that.

ACTING CHAIR—What then, from your position as policy director, do you see the role of the Commonwealth and its relationship with the state rail systems?

Mr Austen—I think the general policy direction of the Commonwealth and the states now is to have a transition from a series of state based systems more into a national industry. I think the agreements between governments from September and November last year basically point in that direction. That is not to downplay the significance or the role of the state industries or the state based activities such as FreightCorp in the New South Wales State Rail Authority. But I think all governments agree that there is a large future for rail in Australia but primarily in the interstate freight industry. That is what the two agreements late last year were basically directed at.

ACTING CHAIR—Do you see a role for a National Rail Planning Commission

across the nation? If so, why?

Mr Austen—That is one of the things that ministers have asked for advice on at the next Australian Transport Council meeting. A variety of proposals have been put up for an Australian Rail Transport Commission ranging from a research body to something which approximates the role of the National Roads Transport Commission. My understanding is that ministers will be looking at a range of those types of options.

Mr McDOUGALL—You might have heard that FreightCorp actually suggested that we should not be having a National Rail Planning Commission but a National Land Transport Commission. What would your comments be to that?

Mr Austen—I think the essence of what FreightCorp were saying was that a national land transport policy would deliver greater efficiencies to Australia than simply a rail focus policy—that is, if we are moving to national policies, it is probably important to get the modal choice right as well as removing what people perceive as being the state barriers.

Mr McDOUGALL—In what ways do you think the private sector involvement could improve the rail industry as a whole?

Mr Austen—Generally the private sector is looked to to improve the efficiency of the industry in two ways. First, it is perceived that they have better connections with the buyers of services. They can seek out opportunities that public agencies have not sought out. Secondly, they are seen to be operationally more efficient.

Mr McDOUGALL—What about investment wise? Where do you see the private sector? Do you see the private sector purely getting involved in operational and intermodal rather than investment? Do you see an investment opportunity for the private sector?

Mr Austen—The investment task in rail is sometimes considered above rail and below rail. The creation of the open access systems throughout Australia has allowed for private competition above rail. As the FreightCorp representatives were saying, the critical part of the rail system is to make sure that the interface between above and below rail is as efficient as possible. What that means is that private investment has an opportunity for below rail. The private sector has an opportunity for above and below rail investment, but it should seek to optimise that. It is not simply a case of being restricted to buying rolling stock or investing it in wagons or carriages.

Mr McDOUGALL—We note you did not make a submission as the department but FreightCorp in its submission suggested that CSOs made available to the rail industry should be granted to the access authority and not to train operators. What would your comment be on that?

Mr Austen—At present, a large amount of CSOs are provided to the access authority in New South Wales—around \$177 million a year. That enables operators to compete for a freight business rather than which operator wins the freight business being determined by who gets the CSO. I think there is a fair bit of force in what FreightCorp says in promoting competition above rail, but not in all cases will below rail CSOs be the best way to go.

Mr McDOUGALL—What do you see in policy terms as the Department of Transport's role when we deal with questions like you would have heard in regard to problems about getting on to the track, particularly in relation to curfews and the relationship between urban systems and the freight task? Where is your department's role in sorting out that problem?

Mr Austen—Primarily our role is to set up the environment through which the rail operators, the track authorities, the freight forwarders and everybody in the transport chain can optimise that transport chain. I would not see the department's role as being directly involved on a day-to-day basis in some of the things that Terry Kearney was talking about, for example, because we are not expert in those. If we can set up the environment through which those problems can be identified and addressed, I think that is the primary role for us.

Mr WILLIS—Mr Austen, I want to ask you about the contracting out or tendering out for rail maintenance contracts. I notice that the New South Wales government recently suspended this process for some 16 months after the Rail Services Authority had only won one out of the previous three contracts which had been let. Is it the policy of the New South Wales government that there will be a continuance of contracting out after the 16 months?

Mr Austen—The policy is that the contracting out strategy is suspended.

Mr WILLIS—So after 16 months it is expected that it will be reinstated.

Mr Austen—It was suspended.

Mr WILLIS—Is it just for 16 months and to be reconsidered in that time?

Mr Austen—The government's announcement was for a suspension until July 1999.

Mr WILLIS—So you cannot say whether it will be reinstated or not.

Mr Austen—The implication of it being suspended is that it will not be reinstated.

Mr WILLIS—That is your expectation.

Mr Austen—That is the announcement.

Mr WILLIS—Okay. You seem a bit reluctant to commit yourself there. With those two contracts that were lost to the private sector, did that result in any substantial losses of employment by the Rail Services Authority?

Mr Austen—I would have to check that. I could not say.

Mr WILLIS—Are you able to say how far out the Rail Services Authority was compared with the winning contracts?

Mr Austen—No. I am not engaged in looking at the contracting process, so I cannot answer that. I do not think I would be able to answer that.

Mr HOLLIS—As an economist—and I know we are living in an age of economic rationalists—do you consider the social costs as well? You may have been here when I asked FreightCorp the question. They were talking about the improvement of the Pacific Highway. They said that it would put more freight on there. I suggested that it would also cause more accidents. When you are looking at economic aspects and advising the government, do you just advise them on the bottom line or do you advise them that by moving more heavy freight from the road to rail that would have X-cost implications? Do you know what I am getting at—more the social cost of these things rather than the pure bottom line cost?

Mr Austen—I think what Mr Di Bartolomeo was saying was right in this regard. Rail projects are generally looked at on a commercial or financial basis and road projects are looked at on an economic basis, and the economic basis is wider. It should go into the costs and the benefits to the community more widely than the financial criteria which apply to rail.

Mr HOLLIS—So from an economic point of view you have got one hand tied behind your back when you are advising governments because you said what they should do. The implications, therefore, would be that what they do is look at the financial thing instead of looking at the wider social cost.

Mr Austen—The question here relates to government funding, investment and also to CSOs. Governments make substantial contributions to rail systems already. So already you can see that governments take into account some of the economic benefits of rail. For example, the state rail system gets a substantial CSO for passenger operations within Sydney. There is a substantial CSO paid to lines in New South Wales outside the metropolitan area.

So already the economic criteria are coming into rail, and that is a government decision. What Mr Di Bartolomeo was saying was that, from an organisational point of view, from a rail company's point of view, they are looking at financial criteria. So governments do look at the economic criteria.

Mr HOLLIS—Yes, they do for roads.

Mr MAREK—From listening to FreightCorp today we learnt that they are really focusing their operations—past, present and future—more on bulk freight. From where you sit, your point of view, should we prevent this direction as the end result really is that there is no rail support for rural Australia for one-off items or for light article transport?

Mr Austen—My understanding of what Mr Di Bartolomeo was saying was that, if he were to concentrate on bulk freight, the types of prices and service improvement approaches which governments are looking at for interstate rail would not have an effect on his share of rail in the bulk markets. But that does not preclude Mr Di Bartolomeo's organisation getting into the lighter commodities and non-bulk commodities which might be more responsive to reductions in prices or to improvements in transit times or greater reliability. I do not think he was saying that FreightCorp is simply sticking to bulk trades, if that is what you meant.

Mr MAREK—No, I will rephrase it. He is talking about rail for coal, ore and those sorts of things. I am talking about somebody living in rural Australia with a small business who wants to be able to freight one-off small items—bonnets, doors or anything. They are saying that ultimately products like that would be better off on the road for various reasons rather than running a train out there.

From your point of view as an economist—and I can understand his point of view—should we not have a responsibility to regional and rural Australia to ensure that we still have the trains running out there, even though it is going to be a cost on the rail system. I guess the money would be made up in other areas from bulk freight.

Mr Austen—I think that was the essence of Mr Hollis's question. If you simply applied commercial criteria, as Mr Di Bartolomeo does, to unsubsidised freight, he would withdraw from those areas. But if you apply economic criteria—for example, take into account congestion costs and costs of pollution in the metropolitan areas—you might come up with a different answer which might have a different impact not only on the urban areas but also on the non-urban areas.

Mr WAKELIN—Following the National Competition Council's recommendation that the rail line between Sydney and Broken Hill be declared, the New South Wales Premier did not respond within 60 days; therefore the service is deemed not to be declared. Could a public operator block a potential private competitor in this manner?

Mr Austen—I think the answer is no. All of the lines in New South Wales are open access. The Rail Access Corporation, which does not run trains, has its job of providing access—that is, train paths—to any operator that comes along. It is completely separate from FreightCorp. It is completely separate from the State Rail Authority. There is no bar.

Mr WAKELIN—Yet this policy can have the effect of having that blockage?

Mr Austen—Sorry, I do not understand the question.

Mr WAKELIN—As I understand it, you do not respond, the service is not declared and therefore there is a blockage to a private operator.

Mr Austen—The declaration process is a sort of term of art in the national competition policy. The declaration would bring it under the jurisdiction of the Australian Competition and Consumer Commission for arbitration purposes for access. Under the New South Wales access regime, which applies whether or not the line or the service has been declared, arbitration is available from the New South Wales Independent Pricing and Regulatory Tribunal. Access is available, but in New South Wales the implication of a declaration is basically to change the arbitrator for an access dispute. Does that make sense?

ACTING CHAIR—The access is available by the New South Wales mechanisms as distinct from the alternative, which is the ACCC.

Mr Austen—That is right.

ACTING CHAIR—So access is available.

Mr Austen—Yes.

ACTING CHAIR—It is called the New South Wales Pricing and—

Mr Austen—The New South Wales Independent Pricing and Regulatory Tribunal is available to resolve any disputes people have with regard to access in New South Wales.

Mr WAKELIN—It would be safe to say that there is no blockage to access?

Mr Austen—Yes.

Mr WAKELIN—Should dedicated freight lines be built in densely populated areas?

Mr Austen—It depends on the purpose of the freight line. It also depends on what is already available in that particular urban area.

Mr WAKELIN—What about some evidence of impediments around the Sydney area that you would be well aware of et cetera?

Mr Austen—The infrastructure in the Sydney area is used jointly by passenger trains and by freight trains. As I understand it, that is not the case for the interstate lines and the other metropolitan areas. So the conflict between the interstate system and the state systems is most pronounced in New South Wales, and particularly in Sydney. So there you will presumably have the greatest need for a dedicated freight line.

Mr WAKELIN—Would curfews help?

Mr Austen—I think curfews are already in place at the moment for around the peak hours.

Mr WAKELIN—If dedicated lines existed, would curfews help? I presume it would.

Mr Austen—If there was a dedicated freight line, presumably you would not need curfews.

Mr WAKELIN—In relation to the damage by grain trucks on the Gwydir Highway, I understand railway lines have been closed and there is damage on the roads. Obviously your brief is right across the transport task of New South Wales. How is it shaping up as far as the closure of railway lines is concerned? No doubt you have had it from various local government authorities about the impact then on the roads from the grain trucks. How is that coming together?

Mr Austen—At present the government gives a subsidy, as I think I have mentioned, of \$177 million a year to keep basically the network which we have today open and available for access. So I do not think the line closure issue is really an issue in that respect.

Mr WAKELIN—Clearly, once a railway line is closed there is significant impact back on the road. Are other considerations being given to allowing rail operators to do it more seasonally, or is there some kind of recognition to local government, for example, that it does have an impact on their local community?

Mr Austen—I think I would have to check that answer. I am fairly certain that a lot of the grain movements already are heavily seasonal in New South Wales. The seasonality thing I think is already covered.

Mr WAKELIN—In what way? I am sorry; just go through that again. How is the Department of Transport dealing with seasonality? I suppose that is what I am trying to get at.

Mr Austen—Sorry.

Mr WAKELIN—Okay. You may have answered it. Maybe I did not pick it up. Are you aware of the issues on the Gwydir Highway?

Mr Austen—Not in that particular case.

Mr WAKELIN—Is it within your jurisdiction, though?

Mr Austen—No, but I could check it up.

Mr WILLIS—Just to follow up Mr Wakelin's question about the impact of the freight lines in Sydney on the metropolitan railway system. My understanding is that this has some implications for metropolitan train traffic to Homebush at the time of the Olympics. Since the peak hour is likely to last virtually all day, with events starting at all sorts of hours, and transport issues were shown by the previous Olympic Games to be a major consideration, does this mean that, if there is not going to be a dedicated freight line by that time—and it appears as though there will not be—there will be a curfew which will basically block the freight traffic out of Sydney during the day and the evening for virtually the duration of the Olympic Games?

Mr Austen—I think that one is largely an operational issue for State Rail and Rail Access to talk about.

Mr WILLIS—So you would rather we ask them?

Mr Austen—You would probably get a more accurate answer from them. Obviously a dedicated freight line would eliminate any potential for that blockage but, if your question is about what the potential is for that, I do not think I can give you an answer on that.

Mr WILLIS—It does seem to me it is also an issue of some policy consideration. If there is an intention to build a dedicated freight line at some stage, doing it before the Olympic Games would seem to make a hell of a lot of sense, otherwise it looks like there will be major disruption to interstate freight into and out of Sydney for about a two-week period or more. If it is not policy to build that line, is the government, the department, concerned about the massive disruption to rail freight operations throughout that period?

Mr Austen—The transport ministers have asked us to prepare a plan for how you would go about a dedicated freight track into Sydney. That was part of the September

agreement among ministers. That is what we are working on at the moment.

Mr McDOUGALL—In the horizontal structure of New South Wales railways and the rail authority with the two passenger operations and then FreightCorp, in a policy setting how do you break up the infrastructure cost of below rail and the maintenance cost of below rail, including bridges, in relation to apportioning a cost to each of the operators?

Mr Austen—The way that occurs is through access charging—that is, the Rail Access Corporation strikes an access charge with the operator. The access charge should recover the costs, or at least the wear and tear costs of the train running across the track. The wear and tear costs would include the replacement over the life of those particular assets. If a bridge lasts for 50 years, every year one-fiftieth of the bridge cost would go into that access charge. So that is basically how the costs of infrastructure is handled in an access system. It is not unique to New South Wales.

Mr McDOUGALL—That is fair. Is there any discrepancy between the access charge, or is it worked out purely on tonnage or on frequency? Is FreightCorp given compensation where there is a curfew? How does it work?

Mr Austen—The access charge is negotiated between the operators and the Rail Access Corporation. Where those negotiations run into difficulties or where there is a dispute, the independent pricing tribunal comes and sets the parameters for the access charge. So we do not prescribe to particular operators that their access charge shall be tonnage based or shall be train unit based or shall be time of day based. That is a matter for negotiation between the operator and the Rail Access Corporation.

Mr McDOUGALL—What you are telling me is the Department of Transport is not milking the Hunter Valley coal operations to subsidise the urban system?

Mr Austen—The question of cross-subsidy, if that is the question—

Mr McDOUGALL—You can take it that way.

Mr Austen—does not arise in New South Wales because of the separation of the organisations. State Rail is separate from FreightCorp, which is then separate from the Rail Access Corporation. FreightCorp and the Rail Access Corporation remit dividends to the government, and the government provides direct subsidies to State Rail and also some direct subsidies to FreightCorp and some direct subsidies to the Rail Access Corporation.

ACTING CHAIR—Mr Austen, you heard me ask of Mr Di Bartolomeo whether there are any legislative requirements for FreightCorp to haul specific items or to use specific routes.

Mr Austen—I am unaware of them if there are.

ACTING CHAIR—He said no. I want to draw your attention to page 431 of the submission of Rio Tinto where they state that, in spite of the gazettal in August 1996 of the New South Wales rail access regime, FreightCorp remains the sole licensed coal freight rail service provider in the Hunter region. Can you help us clarify what the situation is?

Mr Austen—I am not aware what they refer to when they say ‘licensed’. What do they mean by ‘licensed’? I can check for you what ‘licensed’ refers to.

ACTING CHAIR—It is on page 431 of Rio Tinto’s submission. I am sure the department has a copy of all the submissions. Thank you very much for your presentation and your presence here today. We will provide you with a copy of *Hansard* as soon as it is available.

[10.28 a.m.]

BURNS, Mr Alan James, Business Development Manager, A. Goninan and Co. Ltd, Broadmeadow Road, Broadmeadow, New South Wales 2292

ACTING CHAIR—Welcome. You heard me mention earlier that the proceedings of the committee are effectively an extension of the proceedings of the parliament. They carry with them the same obligations. We do not seek evidence to be given under oath, and you have heard me make comment about that. Likewise, the protections of the parliament extend to any evidence you may give before the committee this day. Would you like to make a brief opening statement, Mr Burns, before we start some questions.

Mr Burns—First of all, thank you for the opportunity of being able to appear in front of this committee. We are a manufacturer of rolling stock and a maintenance service provider. We underpin two key cost drivers in the rail transport industry; namely, maintenance and investment in replacement rolling stock.

Our experience at managing the Maintrain—in Sydney—and Bendigo railway maintenance workshops has confirmed that direct savings and a lift in maintenance quality are key outcomes from private sector involvement in workshops. Both workshops were outsourced in the past four years and both have delivered significant savings consistent with experience overseas. We, with other service providers, have established a proven capacity in Australia to support the entry of private rail operators in an efficient, revitalised national transport network.

Goninan's involvement in rail based service businesses has also led to our success in securing export contracts in Asia, against world-class competition. The downstream effects on second tier small businesses are significant. The strength of the railway service and manufacturing sector dictates the development, quality approach and employment profiles of hundreds of subcontract suppliers throughout Australia as well as in the Hunter region.

In conclusion, Goninan urges the inquiry to consider the benefits to the community as a whole, stemming from the growth of Australia's network of rolling stock manufacturers and service providers in a revitalised and viable rail industry. Our future in engineering, service provision and product development is closely linked to infrastructure investment in Australia and ongoing export opportunities.

ACTING CHAIR—You mention in your submission your relationship with Hunternet and the downstream effect of other suppliers, particularly in regard to the replacement of imports by products from local suppliers. Can you tell us something more about that?

Mr Burns—I guess an example which is now completed is the Tangara project,

which is probably the largest undertaking of a manufactured product in this state—in fact in the country. It included quite a number of subsuppliers, subcontractors and manufacturers of equipment. Without going into all of them, major suppliers from an import base such as Mitsubishi and local suppliers now established into a group called Hunternet, certainly in Newcastle in the provision of stainless steel products, interior finishes, glass, reinforced plastics and the like, had a number of opportunities to develop products and techniques and invest in both training the human resource element and product manufacturing techniques. In our development of the company in the 1980s we developed our stainless steel manufacturing techniques from American technology, which we have now exceeded; we have gone past that.

There are some 300 subsuppliers within the industries around Australia. Goninan ranges in its businesses from Karratha-Port Hedland in Western Australia right through to Townsville, with some 17 locations and now three in Asia. That means that we have a very strong subcontract base, supporting the \$300 million earnings of the organisation throughout Australia. We believe that a strong transport network, developed with the support of service providers, groups such as ourselves and other companies that we are in competition with and now working together with more and more for export opportunities into Asia, provides a very stable base for research and development, product development and, generally in the engineering industry, a very strong base of skills.

ACTING CHAIR—Do you feel that there is adequate opportunity for investment in rail infrastructure or, if there is not, what ought to be done about it?

Mr Burns—Our experiences at Maintrain in Sydney, where some \$26 million has been invested in rail maintenance facilities under long-term contract, are probably a good example of a private-public partnership in New South Wales, and more recently, for the National Rail Corporation, of some \$25 million in a major workshop at Spotswood in Melbourne at the west of Melbourne certainly have shown us that we can use world-class practices, best practices if you like—commonly coined phrases, but nevertheless actually returning benefits to the states and to rail operators generally.

There are a number of examples where, for instance, the number of people employed have produced a much larger output, from Maintrain that has been quite possible. That has returned savings directly to the New South Wales government through a partnership arrangement in the contracting out of that particular facility.

ACTING CHAIR—How much of an impediment to your national operations is the existence of state preferences in rail purchasing?

Mr Burns—I guess there are some inconsistencies throughout. As an example of that, the Sprinter trains for Melbourne were manufactured in Newcastle and the Explorer trains for Sydney and the interurban areas were manufactured in Melbourne.

ACTING CHAIR—There is obviously an inconsistency there, isn't there?

Mr Burns—There is no consistency in it. We would like to see more consistency. We would like to see standardisation. For instance, gauging has already commenced, but consistency could happen with the standards of braking systems and cabs in locomotives. There are numerous examples—even the crash resistance of vehicles—where different standards apply throughout the country. Certainly, we are a strong supporter of developing national standards.

Mr WILLIS—I want to ask about the privatisation of maintenance services. You referred to Bendigo in your opening remarks and some other place which I did not hear.

Mr Burns—Maintrain. It is a facility based at Auburn about 18 or 19 kilometres west of Sydney.

Mr WILLIS—Are these facilities where you have acquired the company or the operation, or is it on a contracting out basis?

Mr Burns—It is a contracting out basis in Maintrain. There is a 10-year contract for the provision of maintenance services particularly defined in the contract under 'schedule of rates'. Bendigo, on the other hand, was partially supported by contracted work for the first 18 months of the operation. However, the Bendigo operation is now wholly and solely operating on a competitive basis. We have now 110 people on that site. They are Goninan employees and we have a long-term lease of that site.

Mr WILLIS—You say in your submission that there have been dramatic price reductions in this area. Can you give us an idea of what 'dramatic' means? What sort of percentage are we talking about?

Mr Burns—It is interesting to have a look in the Victorian system, where tremendous rationalisation and reform has already occurred. There has been a reduction in employee numbers from some 21,000 in the early 1990s to around 9,000 currently.

Mr WILLIS—That is in what?

Mr Burns—This is in the Public Transport Corporation.

Mr WILLIS—Not in maintenance?

Mr Burns—No. Certainly in terms of proportion, it is reflected in maintenance. So we are talking about a significant efficiency already. Since we took over the Bendigo railway workshop in February 1996, we have proved consistently that between 20 and 30 per cent of the savings on competitive tenders that we have submitted to the Public Transport Corporation and private sector businesses, we are carrying out work for TNT

and Patricks at this time, are directly attributable to lower pricing as efficiencies come into these workshops. This is beyond the reform that has already occurred within the state transport systems.

Mr WILLIS—So the 30 per cent is what you mean by dramatic price reduction, is it? And those reductions in staff—talking just about the maintenance area at this stage—how have they been achieved?

Mr Burns—In the Public Transport Corporation, downsizing was very much the word and that is what occurred. When we took over the Bendigo railway workshop in 1996, we took on 94 staff out of 110. They elected to come and join the private sector. Since then, we have employed up to 110. Of the additional staff we have employed, some 13 are apprentices and trainees that we have put on in that facility. So in fact we have increased our staff because of the broader band of work, if you like, that we are bringing into that workshop—for example, general engineering work, some of which is rail based.

Mr WILLIS—So you are not reducing staff in Bendigo, you are increasing them?

Mr Burns—We have increased our staff.

Mr WILLIS—So how do you reduce costs?

Mr Burns—Effectively, we are putting a throughput in the Bendigo workshop not just based on work coming from the Public Transport Corporation. We are winning work on a competitive basis in that workshop. As I said, we are bidding to TNT. In fact, we are providing bids now to the Baulderstone group on the Dockland stadium as an example in heavy engineering works.

So we now have a mixture of rail works and heavy engineering works. We are utilising the skills and knowledge of those people that we have found to be very well trained but, if you like, lacking somewhat in leadership and direction. We have been able to reduce the overall input of labour and so on into some of the projects. It is a much more efficient and fundamentally better organisation.

Mr WILLIS—What is your reaction to the decision of the New South Wales government to suspend for 16 months contracting out of rail maintenance contracts?

Mr Burns—There are a number of reasons behind that politically but, from an industry perspective, we would have to say it is very disappointing. We have seen some delays occur over time in the various states in Australia as privatisation and major reforms occur. It is sending a message to the private sector, not necessarily the right message, that we do not have our act in the industry together as a whole, in both the private and the public sector.

The amount of work that goes into tendering for these sorts of businesses and contracts is quite substantial. I do not think any organisation, including Goninan, wishes to waste its time or not use that time effectively in going for projects and looking at projects that are real and have a future. So we would like to see some consistency in policy in that area developed.

Mr WILLIS—So you are not overly concerned about it as long as it does not go in perpetuity?

Mr Burns—Maybe that is a question that comes back to the fundamental of the cost of provision of rail transport services both in this state and in other states. If in fact that privatisation or outsourcing is an aim to reduce the cost of the provision of rail transport services, that will not be achieved for another 16 months.

I listened to my colleague from FreightCorp earlier, and I guess his aim is to reduce the cost to end users and, therefore, the cost of delivering products from point A to point B. We are in the same business. If that is in fact not going to be achieved by this decision, there will be some ongoing costs to freighters of products in New South Wales.

Mr McDOUGALL—Does the Australian taxpayer get the best value for rolling stock by buying Australian-made, or would they get better value if they imported the finished goods? How much do they subsidise it?

Mr Burns—There is no subsidy that occurs as a result of businesses such as Goninan, Evans Deakin and others competing in Australia. It can probably be best proved by not looking at the Australian market but going outside of it and having a look at whether in fact we are competitive in other areas. We have been competitive in securing contracts of up to \$277 million in refurbishment and manufacture of vehicles in Hong Kong and other Asian areas. Certainly, our competitor from Queensland, the Evans Deakin group, has secured contracts against international competition in Malaysia in light rail.

We have been exporting cabs and bogies for locomotives to Indonesia over the last few years. So I guess it is right to say that we are competing openly in international competition and we now have international competitors of the like of ABB or Adtranz, Siemens, GEC Alsthom—very significant companies who, I guess, are the main players throughout the world. We are competing in an open market situation with them here in Australia. So we do not see a subsidy situation arising. We believe that we are in fact world-class competitive in the various markets that we are dealing in.

Mr McDOUGALL—You see those prices for those rather large contracts in Queensland in the last couple of weeks as internationally competitive?

Mr Burns—Unfortunately we have to say that we lost those contracts.

Mr McDOUGALL—You got a little bit of it.

Mr Burns—We did indeed, yes. But certainly it does reflect the competitive nature of the marketplace right now. I think a number of organisations, such as ours, which were purely manufacturers through the 1970 and 1980s, have now developed service businesses. We are not going to be winning all the contracts that we go for, unfortunately. We recognise that.

Mr McDOUGALL—What is the Commonwealth's role in this industry? What should it be in your eyes? You have heard comments this morning from FreightCorp and from the New South Wales Department of Transport in relation to policy. Where do you think the Commonwealth should sit?

Mr Burns—If you look back over the recent five-year history, which I think is probably pertinent with the sale of Australia National and the development of the National Rail Corporation and various visions occurring on rail track and track access, you see that it is right to say that the thinking has now risen to a much higher level. What we have not seen, I guess, is a development of a closer relationship between the states and the Commonwealth in developing a national land transport policy where the various and disparate issues are in fact embraced. Road-rail parity, which we are not equipped to necessarily get involved in further discussion with the committee on, certainly is a key issue with regards to investment and infrastructure. If we wish to see private operators enter the market and seriously compete with one set of regulations, one set of standards, one set of access charges and the same sort of access to service facilities as road operators have, for instance, in pulling into a service station or taking a choice of what road maintenance operator they wish to use, if we see that coming into the rail system, then we are going to see a very effective network, even though we have a low mass, short haul, long railroad system to deal with.

Mr McDOUGALL—You, as rolling stock suppliers, have seen the change of the maintenance. Obviously, from what you have just said to my colleague here, there are some improvements in places like Bendigo and some positive outcomes. Do you see the private sector having a role in the actual rail infrastructure? If so, how would you see that?

Mr Burns—It is obviously not part of the business we are in. We are above rail in that area and we are not an operator. But most certainly, in relation to regimes of competition in the provision of rail maintenance services and investment in rail where there is a return on a common access road, there is no reason that we can see why there would not be investment encouraged in that area. Organisations in the UK, the Rail Track organisation, have got quite a major investment program—and some might criticise that in fact it is not strong enough. Nevertheless, it is focused very much on private investment. It is now a private organisation into the rail infrastructure in that country. On a national transport network between, say, Perth and Brisbane, there is no reason why we should not

be able to see that same situation occur.

Mr McDOUGALL—We have heard some comments—I think FreightCorp really said it—that we are dealing with some pretty old infrastructure in relation to rail, it is not up to standard, its maintenance is questionable in parts and there are load limits. What sort of impact does that have on you as a rolling stock supplier in relation to maintenance?

Mr Burns—It means Formula 1 locomotives do not go well on four-wheel-drive tracks, if I can use an analogy. Certainly our rolling stock in Australia is designed for tracks of less than class 1. That is an issue that we have been able to cope with and develop our technology to suit.

Mr McDOUGALL—But it has not hurt your research and development in relation to being competitive overseas on better tracks?

Mr Burns—Not at all. Our research and development in Australia is very broad and disparate and, in fact, that assists us in developing products for locomotives, for freight businesses, for passenger businesses and for light rail. No, we are across all of the issues that come up in that area.

ACTING CHAIR—Mr Burns, you say in your submission:

A "vertically integrated" Operator who controls these facilities can become barrier to entry of future operators.

Why do you make that point? There are also privately owned railways that are owned from A to Z and operated exclusively by them. There is no opportunity for other service companies to come in and operate over those lines. What is the background to your submission?

Mr Burns—The observations that we are making are on the state owned and operated railways, so if I could keep my comments to that area. The position we see is that open access to track is just one part of what the open access situation is. The need for quality rolling stock maintenance facilities, provisioning facilities and refuelling is a further essential part. If you take the comparison with the road operator who, again, can choose his maintenance provider, get to that maintenance provider, have that maintenance effectively carried out and refuel when and where he wishes; if that situation occurs on the rail transport network, then we will have true open access.

Where our concern lies is that long-term outsourcing contracts or sales that include maintenance facilities could have a deleterious effect on other operators coming onto the system. They might not have the same efficiency in maintenance that is available to another particular operator. We believe that is not a very sustainable situation nor smart move when these facilities come at a very high price.

ACTING CHAIR—It also provides a lockout to those firms whose business is providing service or maintenance.

Mr Burns—It does indeed, yes.

Mr WAKELIN—You state in your submission:

Goninan believes that continuing efficiencies in the national rail reform agenda are being compromised by a slowing down of the privatisation process, by structural blockages that are now appearing in the reform process, and by deeply embedded institutional inconsistencies.

I think you touched on some of them, but could you make a few broader comments around that statement?

Mr Burns—Yes. First of all I have to come back to the road/rail parity funding issues and the complications that exist there, because that is a fundamental underlying issue. The issue of how road operators actually focus their investment into their rolling stock versus rail rolling stock is probably also entirely different because of the different regimes of operations.

You can make an efficiency comparison between the high level of R&D that has occurred in the road industry over the years on semi-trailers, longer semi-trailers, B-doubles and now B-triples—I understand that the road train was invented in Queensland a number of years ago—a lot of work has gone into that with the use of technology and materials, road friendly suspensions and so on. It is to be lauded; it is a much safer network that we have on the road now than what it has ever been. But we do not see the same investment and development going on in the rail area because I guess the competition is not necessarily there.

Manufacturers and providers of railway products, such as ourselves, are often specified very closely by a particular rail organisation to suit a particular need. We believe a freeing up of that in terms of open access and private operator involvement will allow us a much greater freedom to advise those operators in regard to R&D and will allow a better utilisation of rolling stock standards. There would be the introduction of better standards from overseas instead of the various rule books that we currently work with.

Mr WAKELIN—A lot of it is around the infrastructure costs, but where are we at with the rail industry in terms of do we catch up? You heard some of the comments earlier about the potential for improvement in the investment of the Pacific Highway, but then do we drop back? Goninan would have a pretty clear strategic vision about where it sees rail going. It sees its potential but it sees its impediments. We have a great potential for rail, in my personal opinion. But where does Goninan see rail having the ability to catch up and really go ahead over the next decade?

Mr Burns—I guess we are frustrated with what we see is the pace of change, but it is a complex argument and we understand that. Our organisation has been developing its markets around the country in setting up for what we see as a very efficient transport

network. We believe investment in the facilities in the locations around Australia has been very worth while. We hope over the next five to 10 years that we will be able to continue to develop our staff in those areas to provide services to rail operators.

What we have seen in the two major workshops that I have mentioned previously—Bendigo and Maintrain—is that we can provide a sustainable return to operators. There is no doubt about that. There is no doubt in our mind that we can play a major role of at least 30 per cent of the cost drivers of these businesses. We have taken those experiences and the experiences in developing rolling stock on a variety of network standards, if you like, and we have used that knowledge to now move into other market-places. So we are quite buoyed—frustrated but buoyed—and working in that sort of environment.

Mr WAKELIN—My question concerns network standards and it leads into rolling stock. Do we import very much rolling stock from the US to Australia, as we have different standards from the US, and do we import second-hand equipment?

Mr Burns—In the development of the National Rail Corporation's transport fleet, there has been significant imports of second-hand equipment at a cheaper and lower price—if you like, a throw-out or scrap price—from the United States.

Mr WAKELIN—And with changing technologies, the US has gone up to another one and the current equipment therefore becomes redundant—

Mr Burns—The technologies that they are importing generally are similar technologies that are available from manufacturers here in Australia. We and other groups, such as ANI here at Comsteel, ANI Brad Ken here in Newcastle and the Evans Deakin group, all have very strong international liaisons with various manufacturers—ours with GE, E & D locomotives with GM and other rolling stock products. So our technologies—from licensing and from our relationships in the United States—especially in the freight area are second to none in the world.

Mr WAKELIN—Do you know but what the percentage of US imports might be?

Mr Burns—I could not give you a figure.

Mr WAKELIN—Significant or minimal?

Mr Burns—I would say somewhere between 20 to 30 per cent mark in regard to

the freight equipment that came in through the development of the National Rail Corporation's fleet. However, on the locomotive side of things, I would say it would be 20 per cent or slightly less in that area.

Mr WAKELIN—Thank you very much.

Mr HOLLIS—My question more or less follows on from Mr Wakelin's question about imports from overseas. How do we compare with overseas in terms of international best practices?

ACTING CHAIR—Could you be a bit specific?

Mr Burns—I will try to be. I believe that we are world-class competitive. It is a coined phrase but we are world class in terms of what we are doing in design. For instance, our Cardiff design centre has an international link and we carry out partial designs in conjunction with overseas organisations. They are designing in their day; we are designing in our day; and we combine to have a 16-hour usage of those assets.

In the manufacturing techniques for stainless steel, we are way in front of a number of countries. In fact, our development of double-deck products in Australia has been—not a technology forerunner—well in advance of what has been an ongoing trend in Europe in terms of techniques used in the manufacture of those double-deck trains. The utilisation of traction systems, bogies and various components that are used by the network of sub-suppliers such as Commonwealth Steel, and the development of wheel technologies and so on is right up there with the best. We have no doubt that we can compete on the world stage. I think that has been proved in some of the successes in Asia.

ACTING CHAIR—Can you add to that when you go back to work because what we would specifically like to know is how we compare in performance with the US rail systems in terms of size, volumes, lengths, employees, turnover, the scale of their systems and the quantities they are buying. I mean, they make more locos in one year than we make in a century, don't they?

Mr Burns—Yes.

ACTING CHAIR—Some of that kind of material I know that you deal in would be useful to us in getting a perspective on what we are looking at here in Australia.

Mr MAREK—Being a fitter and turner and working in the mining industry for many years up in the Bowen Basin, I had a lot of dealings with the Mackay operation of Goninan's and I must say you are very professional, good operation. With that in mind, Goninan's always carries a fairly high degree of credibility and that is what I am about to move to. In your submission you talk about the national rail reform agenda being compromised by a slowing down of the privatisation process, how long has your operation

pushed to change the systems and manufacture to get better stock? I guess it feels as though a lot of your pushing has been falling on deaf ears. What I am trying to establish—and I have asked a few people the same sort of question—is how long have people been trying to get changes within the system but they just keep running into brick walls and not being able to get there?

Mr Burns—If I can preface any comment by saying the customer is always right, I guess it now depends on what the customers are. We wait eagerly for the private operators who are now entering and pushing the limits, pushing the standards, and driving the engineering and efficiencies in rolling stock. Those efficiencies are available, and we are standing ready to meet those tasks.

The National Rail Corporation in its development of rolling stock over the last three to four years has certainly been a forerunner. The State Rail Authority through FreightCorp in terms of what it has done in coal wagon technology is similarly extremely high. So the competition is there, and it is on. We all recognise the difficulties of scale within Australia, but that does not stop the R&D going into products.

Mr MAREK—What avenue do you, being in the private sector, have to try to change the system to make it better for you? Being in private industry, I guess the last thing you want to do is try to stand on someone's toes. Is there a forum for you to go through that does not compromise your position as being in the business sector and wanting business and then obviously missing out? Do you have that ability? Is there a forum that you can go to and say, 'Listen, this is what needs to happen'?

Mr Burns—We do—

Mr MAREK—And is it working?

Mr Burns—That is another point entirely. I think large organisations with large engineering back-up in each state have got different views on the development of rolling stock. Our views do not necessarily always coincide with those. However, we are generally tendering to large non-performance based but rather specified contracts and the like, but we have an investment in the development of the standards and inclusions through the lead-up processes to tenders.

So we are not out of it but we are not necessarily making the contribution that we can make. When you talk to the private operators and their core involvement as an operator, they are much more interested in a two- to three-page document where performance is the position that they are trying to achieve and they leave it to the rail manufacturers to develop the appropriate products.

Mr MAREK—So what you are saying is that there is a forum. Large companies do have the ability to give input but it is probably what—a little bit apathetic—it does not

happen because they do not want it to happen or they are too busy in their own business to get involved?

Mr Burns—There are very strong views in the railway organisations and necessarily so considering safety standards and standards of operation, and those views are strongly held throughout the states. That does not necessarily mean, however, that a move to privatisation is going to compromise any level of that. We are all well aware of what the responsibilities are in involving ourselves in the industry. There are two different ways of going about it. We are moving from one way to another.

Mr MAREK—From what we have heard, we have some 30-odd different safety systems throughout the country which is absolutely archaic. If we had one safety system for operations, we would be so much better off.

Mr Burns—There is no doubt about that. With the communications systems in our National Rail Corporation locomotives, there are some five radio systems and three safe working systems that we have to find room to build into the cabs and the drivers have to be able to cope with all of that. We would like to see rationalisation. I think our FreightCorp colleagues here today were also similarly looking towards that.

Mr MAREK—So we really have to try to pin down who it is that is holding up the reform?

Mr Burns—Yes, that is possibly a point. Maybe the answer in terms of the Commonwealth's role is in its relationships with the states to move that reform along. There was an intergovernmental agreement on a standard recently reached between the various state governments on transport—I am not sure what the particular topic was; we could research that. There is a movement in that direction.

Mr MAREK—Are you aware of any particular part of industry that does not want to change?

Mr Burns—There is always going to be a resistance to change from where we are to where we are going. But, in general terms, there has been a lot of reform—some of it very positive—over the last few years. I think we all know which way we must go in order to survive and provide a viable rail transport network.

Mr MAREK—Thank you.

Mr WILLIS—I just want to clarify the evidence before us from you. Your appendix 2 is a graph showing environmental differences rail/road and the example is carrying 2,000 tonnes of grain from Mildura to Geelong. Under man-hours you have a small column for rail and a larger one for road, but the rail one says '20 man hours'. By the look of it, I think it should be 200. What is it?

Mr Burns—There may well be an inconsistency in that.

Mr WILLIS—If it is 20, it would be much smaller.

Mr Burns—Yes, it would be just a small line.

Mr WILLIS—The way it is it looks as though it is 200.

Mr Burns—Yes, my apologies to the committee for that. I will have that reviewed and rectified.

ACTING CHAIR—Mr McDougall, the absolutely last question.

Mr McDOUGALL—Just a very short question. I have a city seat; I have a freight line going right through the middle of me west to east; and I have an aircraft landing going south to north over the top—I get more noise out of trains than I get out of aircraft. What is the industry doing in relation to improvements the noise and what are the standards that are being set for noise out of urban freight systems, which are only going to increase if we get internodal, so that we in cities can live better lives? And are you doing any work in relation to natural gas for gas turbine trains?

Mr Burns—Maybe the latter question first, no, we are not working on the gas turbine or gas technologies at this stage. On the first question, there are two things I can raise. The National Rail Corporation locomotives have the highest standards of noise abatement from those locomotives anywhere in the world. I know that the Queensland Rail locomotives that we produced from our Townsville plant over the last few years similarly had extremely high noise abatement requirements which were met by very large silencers, sound absorbing equipment, tests and development.

I guess I am saying that you are pretty well up the top of the curve now. There are low frequency noises that come from locomotives that are a part and parcel of what that vehicle is. In regard to rolling rail and wheel noise, similarly the steering wheel bogies that have been brought into play around the country over recent years have a much lower output of squeal, catch noise and so on than ever before. I do not believe that there are other technologies developed that are going to improve greatly what you are hearing right now.

Mr McDOUGALL—Maybe just new tracks.

Mr Burns—New tracks, concrete sleepers, better alignment and so on will certainly have an effect.

Mr McDOUGALL—Thank you, Mr Chair.

ACTING CHAIR—I thought you were offering a solution to aircraft noise problems for a minute.

Mr McDOUGALL—We have realigned tracks on an inter-state freight system—mind you it does not work because they do not run trains on it—but they still squeal very badly, even after realignment.

Mr Burns—No comment.

ACTING CHAIR—We will have a short break.

Proceedings suspended from 11.11 a.m. to 11.26 a.m.

PANIGIRIS, Mr George, Assistant Secretary—Transport, Australian Services Union, Level 5, 35 Regent Street, Chippendale, New South Wales 2008

ACTING CHAIR—Welcome, Mr Panigiris. You were not here earlier when I mentioned that the committee's proceedings are an extension of the proceedings of the parliament and they carry with them the same obligations. We do not ask people to swear an oath, but the disciplines of the parliament apply to the committee's proceedings as if it were the parliament. Similarly, the protections of the parliament extend to the proceedings of today's hearings. I am sure you have been before committees before and you have heard that. Is there any short opening statement you would like to make before we ask you some questions? Mr Hollis is anxious to ask you some questions.

Mr Panigiris—Thank you, I do have a very short statement to make before I take questions. I would like to thank this committee for giving the ASU the opportunity to address it. The ASU's submission to this committee is about the development of appropriate strategies, both at federal and state levels, in removing freight from road to rail and the better utilisation of public transport. There are two fundamental arguments to support our submission.

Firstly, the environment and the impact greenhouse gases are having on the atmosphere. It would be a simple exercise to identify a number of strategic regional depots connected by rail to the main freight lines. In New South Wales areas such as Parkes, Orange, Lithgow, Broken Hill, Hamilton, Griffith and Cootamundra already have these depots. Such a network would allow regional and intrastate freight to be transported by rail to the various principal ports.

It is a well documented fact that, after the first five kilometres, it is cheaper to transport freight by rail. Freight companies could be given tax concessions to operate such terminals, which would in the short term and long term also generate jobs and growth in these regional centres. Tax concessions to companies could be funded from savings made by governments on damage to roads by reducing the number of heavy vehicles used for freight haulage. Again, it is a well documented fact that heavy vehicles cause 80 per cent of all road damage and yet contribute only 20 per cent to road maintenance. This issue alone should be a concern to government who should be seriously looking at pricing distortions in transport modes which currently favour roads.

Finally, the issue of public transport in cities is receiving less priority since the introduction of the Hilmer reforms. Under these principles, public transport will be driven by profits and not social, environmental and community needs. Our cities are currently choking daily, with millions of commuters using private vehicles to travel to their employment. To meet this demand, governments are spending billions of dollars on road infrastructure. Both state and federal governments are seeing public transport as an issue best managed by the private sector. Whilst that as a principle may be self-serving, the

private sector does not consider the environment or expenditure in rail infrastructure as its No. 1 priority. Clearly, private companies are driven by profits above their social obligations. Social obligations have always been governments' responsibility. There is no greater responsibility today than the environment. I urge this committee to consider the environment as the principal issue when we talk about public transport.

From the ASU's perspective, with rail reform, we have reform with the industry. In fact, in New South Wales we have lost some 20,000 jobs over the last 15 years. We as an organisation are not afraid of change. In fact, we are involved with change. I would now take questions from you.

ACTING CHAIR—Thank you, Mr Panigiris.

Mr HOLLIS—You mentioned the Commonwealth, but what is your union's view of what the Commonwealth's role in the rail industry should be?

Mr Panigiris—The Commonwealth should at least set the standards in relation to where public transport and the rail industry in particular ought to be heading—whether it is an environmental issue or whether it is an issue relating to how we commute our workers from outer city regions into the metropolitan areas. Without federal government direction, I do not believe the states really have the will to address those problems because they seem to think that, without federal funding, they cannot achieve major projects.

I use the example today of what is happening at Homebush. We are currently looking at commuting people to the Homebush site. We need a freight loop there to get the freight lines out of the commuter traffic. Currently, the state government have not got the funds or, if they are prepared to fund it, will only fund it in part. We clearly need federal funding to ensure those freight trains are taken out of that loop. It is a question of where this funding is going to come from. Unless we get federal support, I do not think that project will get off the ground.

Mr HOLLIS—It is always dependent on the old dollar from the federal government, isn't it? Of course, rail is only one form of transport in this country for moving freight and passengers. There was some mention made earlier of a plan for a national transport network. What is your view on that and seeing rail as a part of that?

Mr Panigiris—I think it is absolutely essential that we have that. We need to utilise all our modes of transport—be it shipping, road or rail—but we need to look at the factors associated with the cheapest form of transport. It is my understanding that, once you get above that five kilometre haulage distance, it is clearly cheaper to put your goods on rail. It is not only cheaper but safer. It is safer for the environment and it is safer for road users. In the long term, we would submit to you, you would save a substantial amount of money in relation to the damage that is caused to roads by heavy vehicles.

Mr HOLLIS—You made mention in your opening statement that the union is not frightened of change. Could you outline some measures the ASU have taken to promote, say, efficient and effective operation in the rail movement?

Mr Panigiris—Firstly, as I have said earlier, we have lost some 20,000 jobs out of the industry in the last 15 years. Those jobs were delivered to government on the basis of change: more improved work practices, people working harder in relation to delivery of greater productivity. We are currently going through job and work redesigns in all the major organisations in New South Wales—and they are the Rail Services Authority, the freight corporation and also State Rail.

Currently, we are looking at the State Rail Authority in reforming its station operations area, where we will be losing close to 280 positions within the next six months; that is roughly 25 per cent of the work force. They are the sorts of reforms that we are participating in within New South Wales.

Mr HOLLIS—Do you think it is difficult to introduce new technologies to rail?

Mr Panigiris—I think you need to find the right technologies. Again, experimenting in New South Wales we have had a number of new technologies introduced in this state. The majority have failed because they were not the right technologies. There needs to be a clear understanding of what you need in the industry. As I say, my experience in this state has clearly shown that we have wasted in excess of probably \$150 million, \$160 million in introducing the wrong technologies.

Mr HOLLIS—What wrong technologies?

Mr Panigiris—We experimented with a control system which never got off the ground; in fact, it never got off first base. There were some \$50 million-odd tied up in that. We are currently toying with a train indicator system that is worth roughly \$30 million. The system itself is not user friendly, is not commuter friendly; people cannot read the indicator boards. The systems you need to look at are systems that are tried and tested overseas. Unfortunately, in this state at least, the moneys that we have spent on technologies have not met the needs of the users.

Mr HOLLIS—Someone earlier today was talking about the different safe working systems we have in this state and in this country—a whole host of different safe working systems. I think the previous witness said that, in a cabin, you have three different radio systems and two systems for different safe working systems. Surely there must be a streamline of systems there.

Mr Panigiris—Yes, you are absolutely right. By establishing one access authority nationally, I think we can achieve that. At the moment, as you are probably well aware, we have a number of access authorities. In New South Wales, rail access controls the safe

working manuals, but the operation and writing of those manuals fall within state rail—clearly inappropriate.

But, setting that aside, we have set ourselves a task to reduce the number of safe working manuals substantially in this state. I understand that we will be delivering that in the next two to three months, reducing it from some seven or eight manuals to about three manuals.

Mr HOLLIS—In your submission I think you have mentioned environmental considerations, as you have about half a dozen times in your presentation—and no-one is disagreeing with those. But isn't it in some respects a happy coincidence that you want new working conditions or new things introduced to the rail system, and it is easier to sell them if you stress their environmental aspects because the environment is so important or is perceived as being so important today? Isn't there a happy coincidence there—not that there is anything wrong with happy coincidences—between what the union wants and what they perceive the community to want; or am I being too cynical?

Mr Panigiris—Can I say that, in fact, working conditions for rail workers have diminished over the last 10 years; they have not increased at all. We are being constantly involved in job and work redesign exercises with our employers, and I do not accept that we are getting improved working conditions. Our conditions have been eroded through enterprise bargaining and job and work redesign.

As for the issue I raise with you in relation to the environment, you need to weigh up the sorts of dollars and cents you are spending on road infrastructure and encouraging people to use that infrastructure versus encouraging people to use rail to get to work. Clearly, I will say to you—and the facts are there—that you cannot indicate to me that using road is a much more environmentally friendly process.

We are just not doing enough to encourage people to utilise rail. If we look at what is happening in rail reform generally in the selling off of some of our rail infrastructure and rail rolling stock to the private sector, the private sector is clearly driven by one motive and one motive only and that is the profit motive. I cannot see the private sector having in the back of its mind the environmental needs of a state or a country.

Mr HOLLIS—You were talking about the fact that the union's mission is to take freight off road on to rail for many of the reasons you have outlined. The buzz phrase I think is 'just in time'. We have heard evidence this morning that, given the condition of the track and everything, the best we could hope for in the Sydney to Melbourne run is 20 to 22 hours and that is allowing for other things. How efficient would rail be in promoting this 'just in time' concept?

Mr Panigiris—I think it is important. I do not think we can go beyond the times that you have suggested. At the end of the day it is a matter of how cheaply we can

deliver that freight. If the reforms we have put in place—and again we are looking at 1,000 jobs coming out of FreightCorp in the next 12 months—will deliver an effective, cheap product for the rail industry, then we are very keen to ensure that rail survives. For that reason, as I said earlier, we are involving ourselves in those rail reforms.

Mr WAKELIN—Mr Panigiris, you mentioned the working conditions over the last decade. Do you have statistical evidence or something you might like to present today about the safety rate in the industry over the last decade or in the last three or four years as we see this trend towards privatisation? In other words, how is the safety performance of the industry?

Mr Panigiris—In relation to my understanding of the industry in New South Wales in particular, the safety standards of the government run railways are far higher than those of the private operator. I say it for this reason: the accreditation of the government railway worker is much greater. Of course government responds to the needs of the public. So if we have an incident, for argument's sake, as we did at North Sydney where a body was run over some six or seven times, if you had a private operator the response would not be the same. The private operator would say, 'It is unfortunate the person is dead, so what the heck.' We have had that experience in England. In New South Wales that experience brought all sorts of outrage. Safety precautions were taken and so forth.

I use the example again in relation to the state transit authority where a bus driver was raped. The government responded with an ombudsman inquiry which cost just over \$1 million. We had an inquiry that said all these buses now need to be fitted with video surveillance cameras. You can expect that from a government organisation. You would not expect and I cannot see a private operator delivering that within the next 12 months, 18 months or two years if, in fact, at all.

Mr WAKELIN—I am interested in the spectrum of safety considerations—incidents, injury. Do we have some state measurements?

Mr Panigiris—There would be state statistics available. I do not have them with me at the moment. I can provide them to this committee.

Mr WAKELIN—I think it might be useful.

Mr Panigiris—If you would like me to provide statistics that highlight incidents at crossings, incidents on stations, just give me an idea of what statistics you would like.

ACTING CHAIR—Are you clear on the information you are asking the union to provide?

Mr Panigiris—Do you want all that information?

Mr WAKELIN—Do you have under your workers compensation a collection of statistics or within your own organisation of what is credible? I am not familiar with the basis of a lot of this information. I am going to be asking about the safety performance of the industry around the country. I am quite interested to know whether it is improving or deteriorating. Whatever you think is relevant would be useful.

Mr Panigiris—I can give you a fairly comprehensive document.

ACTING CHAIR—There are two issues involved: first, is workplace related illness and injury; and, secondly, attacks or assaults by members of the public on union employees in the course of their work.

Mr Panigiris—Actually there are three issues. There is the issue relating to compensation and what that is costing the employer and the impact on the work force. There is the issue of incidents on stations where you have assaults, people falling under trains and what have you. Then you have the incidents which occur away from the station, be it on a track or a crossing or whatever.

Mr McDOUGALL—I would be interested in the comparison of derailments.

Mr WAKELIN—There is a fourth issue which is probably tied up with the third issue, certainly the general safety issue. You mentioned the environment issue. But in this whole debate between road and rail there is a very strong road safety component in that as well. There is all of that. I thank you for that.

ACTING CHAIR—Mr Panigiris, would you be able to help the committee with the provision of that information in writing?

Mr Panigiris—I will provide derailments, station incidents and incidents on level crossings. I might have some difficulty getting that information.

Mr WAKELIN—Just a general summary and impression and we will do the best we can with the information. With the development of the privatisation—and we have seen it with National Rail and now with Australian National et cetera—you mentioned the job losses, which from your perspective must be quite profound. If you go back over decades, the losses of jobs in the rail industry across the country has been astronomical. You acknowledge that you are adapting to change and trying to ensure the use of rail, but at some point could we get rail to a certain standard so we could build employment in rail again, is that too optimistic? Do you ever foresee a time when we might build employment in rail again?

Mr Panigiris—I will respond this way. It is a matter of whether government sees road as a better alternative than rail. Currently as I see road, it is costing the government billions of dollars in relation to new roads, infrastructure and particularly maintenance.

Certain statistics that were presented to me over the last three years from the Roads and Traffic Authority support the view that, whilst roads and traffic inspectors are checking only some five per cent of all heavy vehicles, they acknowledge that something like 40-odd per cent of those heavy vehicles are overloaded. So we are causing enormous damage to our road system. That is putting the environmental issue to one side.

If you address that problem and you ask yourself what sorts of concessions can we give freight companies to translate their product from road to rail, then I think that has to be a government determination. At the end of the day, if you say to us, 'Look, we do not believe that rail is the way to go, then so be it.' But we say to you that you have to look at all these other factors. The dollars that are being spent on road at the moment are absolutely astronomical. You need to say to yourself we already have this rail system in place. It is operating to X degree at the moment. Can we get it better and what are the benefits to government if we take those goods off road and put them on rail? I think you will find the benefits are quite astonishing.

Mr McDOUGALL—We heard from FreightCorp that they were going into an arrangement with the Grain Corporation operation. They gave some detail of building an arrangement where they might go to a certain point and the grain operators will do the intermediary work, which would obviously have an effect on your work force, and you have already raised the question of the work force. How do you feel that is going and what is the union's reaction to that?

Mr Panigiris—That will not have a great impact on our work force. Clearly the train crews are the same. The infrastructure and maintenance work would be pretty much the same. Others are still maintaining the track. I do not see a great impact on our work force at all with those operations.

Mr McDOUGALL—Would the operators of the train then be employed by the Grain Corporation?

Mr Panigiris—That would be a very difficult exercise because the train will run from section to section. In order to best utilise train crews you would utilise the same train crews to come through the smaller section on to the main section. I do not believe it would give economy of scale. It would not be the way to go for the Grain Corporation. The Grain Corporation would be best utilising existing train crew, as Manildra does.

Mr McDOUGALL—We do have the Grain Corporation coming in at some stage, don't we? It would be interesting to ask them the question. I got the impression from FreightCorp that they were pretty keen on the idea, both parties were, and they were getting to some agreement.

Mr Panigiris—There is no objection from us in relation to that. I do not see great job losses.

ACTING CHAIR—At the expense of certain grain routes in western New South Wales.

Mr McDOUGALL—In relation to job losses—and correct me if I have this wrong—you said that you were negotiating at the moment with the state in regard to 280 job losses on stations.

Mr Panigiris—State rail stations.

Mr McDOUGALL—Which amounted to 25 per cent of the work force?

Mr Panigiris—Roughly 25 per cent of the work force.

Mr McDOUGALL—That is correct?

Mr Panigiris—Sorry—15 per cent of the work force.

Mr McDOUGALL—How has the horizontal structuring of New South Wales rail affected your work force in regard to passenger versus freight? Where have you suffered most?

Mr Panigiris—In freight. Freight has a mammoth task ahead of it in relation to meeting the challenges and competing with private operators. We have a fairly top heavy management. We have a middle management that could possibly be shed to the tune of about 30 per cent, and we have a work force at the bottom end that needs to be multiskilled. We are going through those processes now. As I said earlier, we are looking at losing close to 1,000 jobs in freight over the next 12 months.

Mr McDOUGALL—Am I correct in understanding that FreightCorp, in the horizontal structure, actually looks after the maintenance of rail?

Mr Panigiris—Not at all. The maintenance of the rail is looked after by the Rail Services Authority.

Mr McDOUGALL—Of all rail.

Mr Panigiris—All rail.

Mr McDOUGALL—Are the 1,000 you are talking about in the freight side or do they include the services area?

Mr Panigiris—Only the freight side of it. We will probably see roughly 1,500 jobs go out of the rail services area.

Mr McDOUGALL—What is that as a percentage of its work force?

Mr Panigiris—They currently have about 6,000.

Mr McDOUGALL—Is that because that services area is putting out the maintenance to contract? The reason I ask this question is that we hear from some other witnesses that we have a basic railway line system that is pretty archaic and requires a lot of maintenance. It concerns me that if we are taking people out of the maintenance of a track system which needs upgrading, needs new infrastructure, are we actually going to do more damage?

Mr Panigiris—We are only looking at maintaining the existing system. If we are talking about adding to the current system then obviously we will probably need a bigger work force. The Rail Access Corporation is responsible for handing out the contracts for the work on the track. At the moment we have a decision from the New South Wales state government that those contracts will now be given in-house to the Rail Services Authority. We were concerned about job losses and the fact that the Rail Services Authority had not met the challenges of the rail reform and were not given sufficient time to meet those challenges. The state government has said, 'We are prepared to give you a further 15 or 16 months to do that and at the same time we will corporatise you.' They are meeting that challenge at the moment in relation to those new processes.

Mr McDOUGALL—I know there are other questions you would like to be asked. I asked a question of Goninan a while ago in relation to environmental standards in regard to production of engines and operation of trains on track in relation to noise output. You have expressed some interest in the environmental issues. Does the union take an issue in relation to those two areas as well and the impact of the operation of rail on an urban residential environment?

Mr Panigiris—Firstly, in relation to the noise aspect, we do not pay that much attention. It is not part of our involvement. In relation to the sorts of goods that are being carried on freight trains, obviously there is an arrangement at the moment where the state government funds certain arrangements to have petrol taken over the Blue Mountains. It is far safer to do that by train than it is to do that by road. If you talk about noise, you only have to look at Sydney and the sorts of sound barriers we are putting up in our road system. If you have to do that for the road system, there is no reason why you cannot do it for the rail system.

Mr McDOUGALL—Is it not happening in rail?

Mr Panigiris—To a much lesser degree.

Mr McDOUGALL—It is happening a bit in Brisbane in rail.

Mr Panigiris—Not a lot in New South Wales.

Mr McDOUGALL—Is it effective though?

Mr Panigiris—The report I am getting from Newcastle in particular is no it is not.

Mr WILLIS—Just to follow up on the 280 reduction in the station staff, is that on city rail alone or does it include the country areas as well

Mr Panigiris—City rail stations which extend from Newcastle to Lithgow to Nowra. They are the boundaries.

Mr WILLIS—How is that being achieved?

Mr Panigiris—We are looking at the method by which we are managing stations. We are looking at the number of people we have on our barriers at the moment, whether in fact the revenue protection strategies we have in place now are effective, whether we are better off taking those barrier people off and putting those more revenue protection people on, whether we ought to be looking at contract cleaning or roving cleaning gangs instead of having specific cleaners attached to stations, whether we need one station master and an assistant station master or whether we need one station master looking after two or three stations. They are the sorts of reforms we are going through at the moment.

Mr WILLIS—What is the union's view about the level of service that will be provided with the reduced number of staff?

Mr Panigiris—Our concern is twofold. Firstly, if a station is not manned whether that is an attractive location for people to go and catch a train.

Mr WILLIS—Will it lead to demanning of stations do you think?

Mr Panigiris—There are some views in management to do that to some smaller stations. Secondly, there are security and safety aspects. If you see a person there it prevents the hoodlum element coming on to the station and, more importantly, if there is an incident on the station where someone falls between the train and the platform, help could be obtained fairly quickly when you have personnel on hand. It is very difficult for the driver to see those incidents.

Mr WILLIS—In relation to the Rail Services Authority and the 1,500 reduction that you forecasted may eventually occur—I think I quote you rightly in saying that—will a lot of those jobs be jobs that are just moved from the RSA to private contractors?

Mr Panigiris—There is some debate about that. Some people may say yes. I would clearly say no. I would say some of those jobs would but not all those jobs.

Mr WILLIS—What proportion of those jobs do you think?

Mr Panigiris—I would say that they would be no more than 40 per cent.

Mr WILLIS—Why is that? Because the private operators can do it more efficiently?

Mr Panigiris—I do not accept that. The reason why we have the Rail Services Authority infrastructure is one but responding to incidents is another. If you have a major failure on a network, you need someone to be there fairly quickly to ensure your services move as quickly as they can. Without having a responsive organisation like a Rail Services Authority, you are not going to achieve that.

Mr WILLIS—It is going to be there though.

Mr Panigiris—It may or may not be there. The fact of the matter is that if we, for argument sake, contract all the work out there may not be a Rail Services Authority. You then rely on one, two or three dozen contractors to respond to incidents. I have to say to you that that will not work. It has not worked in England. It will not work in New South Wales. If you have an incident on the track and you bank up lines because of the integrated system, then one operator will not be able to fix that problem.

ACTING CHAIR—If you are looking at the total system, Mr Panigiris, if you are looking to grow the share of freight being carried by rail, which areas do you see as the types of freight and what kinds of things ought the organisation be doing?

Mr Panigiris—I think you need to be looking at the bulk freight. Obviously the smaller type goods would not be the sorts of things that the main operators would be interested in. If you look at grain, wool, iron ore, building materials, minerals and the like, they are the sorts of things that could be carted fairly cheaply by freight. With the number of depots that we have throughout the state—and, as I said earlier, we already have those yards available to us—the cost would not be all that great to establish a main depot at a regional centre, be it at Cootamundra, Broken Hill, Parkes or wherever.

ACTING CHAIR—What would you freight, though—cement?

Mr Panigiris—If there is cement there, yes. If it is iron ore, so be it. I am talking about the big bulk items.

ACTING CHAIR—I am just making a note here—contracting out all track maintenance so obviating the need for the Rail Access Corporation. That kind of system will not work. It has not worked in the UK. Is there anything else you want to add that we have not covered already in the course of questions?

Mr Panigiris—No, Mr Chairman.

ACTING CHAIR—I thank you on behalf of the committee for your contribution and for your presence here this morning. We will have a copy of *Hansard* for you as soon as it is available.

[12.00 p.m.]

MARSHALL, Mr Neil, National Organiser, Australian Manufacturing Workers Union, 136 Chalmers Street, Surry Hills, New South Wales 2010

ACTING CHAIR—Mr Marshall, thank you for your presence this morning. We have your submission which has been authorised for publication. You have heard me say earlier about the method of the proceedings. We are not asking you to swear on oath, but the committee's proceedings are an extension of the proceedings of the parliament and they can carry with them the same responsibilities and protections as the proceedings of the parliament itself carry. Is there a brief opening statement that you would like to make before we ask you some questions?

Mr Marshall—Yes, Mr Chairman. First of all, I would like to thank the committee for allowing the AMWU to make a contribution and presentation to this committee. In doing so I want to explain some background about the AMWU and a bit of background to the submission we have made. The AMWU, the Australian Manufacturing Workers Union, covers members in the workshops and in the running sheds within the public sector of the railways. We also cover members working in the private sector as well such as at Goninan's, ABB, Clyde, et cetera.

As a union, both in this industry and in other industries that we have operated in, we accept the need for change and we have participated in change in a number of the railway systems. In fact, along with other unions, we have attempted to drive that process. Back in 1993 a report was produced on railway workshops and the need to make changes in those railway workshops for them to be able to compete because of the question of overcapacity within Australia.

That Jacana report highlighted a couple of areas that needed to be addressed within railway workshops and running sheds. That was the issue of there being put in place proper best practice programs and putting in place management systems to deal with the new nature of work. The response from most publicly owned rail systems has been poor. If you take for example the Australian National Railways, the unions there argued back in 1992 the need to introduce a best practice program.

It took us three years to get the management in that system to agree to introduce a proper best practice program. The best way of describing the management systems within the railways up until a few years ago is that those systems were based upon a tailorist management system, with hierarchical structures.

As I said, AN spent two years opposing any introduction of a best practice system. In the end, we got them to agree. In the last two years, in the operation of the Australian National Railways Commission, whilst it was still a public company, the unions there participated and made great changes. Unfortunately, it has now been privatised and there

has been a dramatic reduction in the work force. With the new IR legislation that is in place, people were offered jobs by the new companies, but in a couple of instances—namely, Serco and Tasrail—if they wanted to work for that new organisation, they had to take cuts and have to work under AWAs. They were given no choice of working under awards. So the improvements that are being made by those organisations are, in the main, being made by the workers taking a cut in their wages and conditions. They are just the brief points I wanted to make about our submission.

ACTING CHAIR—How does the union see the role of the Commonwealth in rail systems and its relationship with the states?

Mr Marshall—I think there are downfalls in what has happened to the Australian National Railways Commission and what is likely to happen to the National Rail Corporation. The Whitlam government back in the 1970s had some foresight and started to put in place a national railway system, then the previous Labor government put in place the National Rail Corporation. What we are seeing now is a breakdown of that and we see that as being unfortunate. We would argue that the best way for the railway systems to continue is to have a national corporation running it—such as what was the Australian National Railways Commission or what was the National Rail Corporation. These things need to be coordinated and done properly across the whole of the nation. It is no good half a dozen different states having their own different systems and different operations in place. Whilst we have members covered in the private sector and in the public sector, our position is that we would prefer the public sector to control the system like that.

ACTING CHAIR—So you would prefer the public system controlled it, there be larger operators and there be an end to the fragmentation of the existing system. Am I correct in what I am summarising?

Mr Marshall—Yes, we would support a national system that is run by the government. I am sure there are opportunities for the likes of Goninans and so on to participate in supplying locomotives and doing some maintenance but, overall, there needs to be a national system.

Mr HOLLIS—There has been talk here about a national transport strategy or a national body. Firstly, what is your view on that? Secondly, what role would you see rail playing in that overall strategy?

Mr Marshall—We support the idea that there needs to be an overall national transport policy. A key area of interest to our union is the manufacturing industry in this country. If you are going to have a manufacturing industry in this country, there needs to be a properly nationally coordinated system and, as part of that system, the rail industry plays a very important role. I do not disagree with the previous submission by the ASU—that transporting commodities around Australia, in general, can be done far cheaper by rail and also it is far more environmentally friendly. For instance, the industries we are

involved in as a union utilise rail to a great extent. Most of the steel up here in Newcastle, down in Port Kembla or across in Whyalla is transported by rail.

Also, we are involved in the auto manufacturing industry and automotive industry components. Again, some of the car manufacturers transport their products by rail, and that includes car components. The key to these manufacturing industries and other industries that we have been involved in since the mid-1980s is that they have had management systems where parts and products have to be in the main supplied on a just in time system. So there needs to be proper coordination, and the rail system can play an important role in part of that overall manufacturing industry.

Mr HOLLIS—The buzz word going around today seems to be ‘efficient’. If you put on a cap and had the role and someone said to you, ‘Make the railways of Australia more efficient,’ if that was your task, what would you do? Do you have a broad plan that you could make them more efficient?

Mr Marshall—We have been involved in operations like the Australian National Railways and Tasrail in Tasmania when it was part of the Australian National Railways. We, along with the other unions, argued that there needed to be put in place proper best practice programs. That is not just looking at what the workers down on the shop floor are doing, whether they are fitters or electricians working in the workshop, whether they are train drivers driving the locos or whatever; it is looking at the whole of that organisation, taking a holistic approach to the whole of that organisation. The main issues that need to be addressed are the management systems that are in place, the management practises, and whether they have utilised the latest kind of technology of being able to know where their freight is, where their freight is going and improve any overall efficiency, the productive performance of the whole of the organisation.

Mr HOLLIS—I accept that. When you were making your opening statement, you said that you saw that the whole system was a government run system, a public run system. Some of the evidence that has been given here today is that you cannot achieve those efficiencies if you have a government run system. They are saying, ‘Give it to private enterprise and a thousand blossoms will bloom.’ What is your view?

Mr Marshall—I disagree.

Mr HOLLIS—I thought you might.

Mr Marshall—And I disagree with good reason not just from an ideological position but from the facts. Take the example of what has happened in the Australian National Railways so far. Two of the companies have been involved in the carving up of that rail system—that is, Serco, which has taken over the on-train crews on the passenger trains, and Tasrail, which has taken over the operation of the whole of the Tasrail freight operation. In both those cases, first of all, the number of workers that they employed,

particularly in the Serco operation, is far less than what were previously employed. These people were given no choice about whether they wanted to work under an award or AWAs. These people facing unemployment were told, 'If you want a job with us, you have to take this AWA.'

Under the legislation, AWAs are secret. We are not supposed to get our hands on an AWA but, obviously, our members have been offered jobs, have come and talked to us and raised with us what we can do. The AWA in Serco has stripped back penalty rates and increased the number of hours that people can work without being paid penalty rates. The rates of pay that are being offered to the majority of those people are less than what they would have got paid under the old AN award. Interestingly, so far the employee advocate has not gone through the process of accepting those AWAs. We are not involved in that. That is the PTU, which is the major union which covers the train crew. So it can give a more detailed explanation of what happens there.

Similarly with Tasrail: whilst there were fewer people, the number of people employed by the new organisations was closer to the number of people who used to be employed by the old organisation, but a similar thing has happened. Those people, to get that job, had to accept AWAs and those AWAs contain a lot less in rates of pay and conditions. Our argument is that, overall, they are worse off.

Those two examples show that the only way these two operators will improve their profit, if you like, and cut costs is, in the main, by attacking the working conditions of the people. Unfortunately, industrial law in this country now allows that to happen. I am not sitting here and for one minute defending the management of the public rail systems—AN or any of the others I have dealt with. I have also dealt with managements of places like BHP. I have had other responsibilities with the likes of General Motors, Ford and others. These places are bureaucracies and are no different from BHP, Ford or General Motors, which are bureaucracies.

There is room for improvements in the management of both types of organisations, but I cannot agree and do not agree that by just replacing public sector management with private sector management necessarily makes the changes and improves the total productive performance overall.

Mr WILLIS—Can you put a number on the degree to which conditions have been reduced in these instances you have mentioned? You talked about reductions in wages and penalty rates and so on. In relation to the examples that have been made available to you, by how much do you think a take-home pay or an overall pay for these employees has been reduced on average?

Mr Marshall—It is very difficult to put an actual figure on it because, as I say, these AWAs are secret and, taking the case of Serco, the people working on-train crews, it all depends on the rosters that they are working under and on. It will probably take a bit

more time to get some finite figures. Instead of getting paid penalty rates for working Saturdays and Sundays, they are working on single time. Roughly, off the top of my head, I would say instead of getting paid at least time and a half for working a rostered Saturday and Sunday they are getting paid only the equivalent of single time. Also, they may get on a train in, say, Adelaide and go all the way to Perth. Obviously there are changes of shifts while they are on the train. They got paid travelling time for being on the train. As I understand it, that travelling time has been cut back.

Mr WILLIS—So you are not able to really put a figure on it at this stage?

Mr Marshall—No.

Mr WILLIS—Do you think you might be able to in the future?

Mr Marshall—I can certainly get some more concrete information for you, if you would like that.

Mr WILLIS—Also, in relation to the Rail Services Authority, where there has also been contracting out, which seems to have been temporarily suspended, where those contracts have been lost to the private sector is it the situation that there has been wage and condition reductions?

Mr Marshall—I do not know. I am a national official working in the national office and I have not been involved down at that local level. But I can certainly find that out for you. I do not want people to get the wrong impression and say that what I am saying is that in all these instances that has to happen. For instance, a number of other companies have been involved in taking over parts of AN. Transfield took over the infrastructure, the track work, for Australian National Railways. Clyde has taken over the workshops in Port Augusta and the motive power centre at Dry Creek. We negotiated an EBA with both those companies. Whilst there were changes made to it—changes to long service leave entitlements and superannuation entitlements to bring it more in line with the private sector—we were also able to negotiate improvements in wages which were slightly better. One, if you like, outweighed the other. So it is not necessary that that has to be as the outcome of Serco and Tasrail. There are a couple of examples where we have been able to negotiate enterprise agreements. The unfortunate thing is that, with the way the industrial relations legislation is at the moment, that allows these companies to move in and make those kinds of deals if they want to make those kinds of deals.

Mr WILLIS—What about in the case of Goninans? Is that an EBA?

Mr Marshall—It depends where you are talking about.

Mr WILLIS—Where they won rail maintenance contracts.

Mr Marshall—We have an agreement with Goninans at the Maintrain, which was one of the places that the Goninans representative talked about this morning. They work under the metal industry award. They also have an EBA. There are a number of other Goninans sites around where we have that arrangement. But over in Perth they utilise the WA legislation in place over there and put in the WA equivalent of an AWA. Goninans have played it both ways, if you like.

Mr McDOUGALL—Goninans were pretty strong. That actually increased the work force in Bendigo when they took it over and expanded their business into areas other than rail. Wouldn't that be of benefit to your workers?

Mr Marshall—Yes, and we continually argued with managements like Australian National Railways in places like Port Augusta and in Adelaide that in the workshops there should be that opportunity. The Australian National Railways management in the last couple of years did start to do that; they did start to bring in some alternative work to do that. When the contracts were let for this privatisation of Australian National Railways, one of the things that the government raised at the time when that was privatised was that the Port Augusta railway workshops would gain from this privatisation because the company, Clyde, that was going to take over that work would bring in alternative work like Goninans is talking about at Bendigo. Unfortunately, so far that has not taken place. Instead of there being something like 300 people employed around the Port Augusta workshops and associated areas, I think only something like 60 to 70 people have been employed at Port Augusta. Sure, there are those opportunities. The question is whether they are going to be taken up and whether the government is going to force these companies to take up those options.

Mr McDOUGALL—When the government owned Australian National, they didn't seem to force them then to expand, did they?

Mr Marshall—No.

Mr McDOUGALL—So what chance now that it is privatised do you reckon the government would have of doing it?

Mr Marshall—Far less. That was one of our concerns about privatisation.

Mr McDOUGALL—Did the union have anything to say when National Rail bought their second-hand equipment from overseas?

Mr Marshall—I do not know. The demand by the management of the National Rail Corporation was that it would be a single union shop and at the most would have two unions. The agreement was that the PTU and the ASU would be the unions. That was worked out between the rail unions and the ACTU on the basis that we mainly covered people in the workshop and that the National Rail Corporation was going to contract out

that work. So, I am sorry, I cannot answer that question. We are not involved in the National Rail Corporation.

Mr McDOUGALL—It amazes me that I am learning today that we have got a company like Goninan's, which seems to work pretty closely with the unions and the rail authorities in Australia, yet National Rail, which was set up by a government, did not go around Australia buying its product locally; it just went overseas. I find the conflict quite interesting.

We hear a lot about world's best practice. Do you think that should apply also to pay rates in like circumstances? Let me put it this way: if we are going to be competitive—and you raised the question of pay rates for the guys going across from Adelaide to Perth who were losing certain benefits—and operate under world's best practice, we have to also be competitive against imports.

If we manufacture a product in Australia through pay rates and supply services such as freight that are so much more expensive than a product that is going to come in from overseas, you are going to lose the job. You are going to lose the job one way or the other potentially by an imported product if you do not lose it by changing your habits in relation to at least operating with a comparable economy that is operating under world's best practice. Don't you see that as reasonable?

Mr Marshall—Let me answer it this way: we hear the argument about managing directors a lot from various companies over here saying, 'If we are going to be able to attract the right kind of people, then we have to pay comparable salaries.' But when it comes to workers down on the shopfloor, it is always the opposite argument. It is always comparing us against the lowest common denominator instead of the highest common denominator.

I would argue that the cost of wages within an organisation to produce a product or to produce a service is in a lot of cases around only 10 per cent. There are a lot higher costs in other areas. Our experience has been that, if a proper best practice program was put in place to look at the management systems, at the work practices within the place and so on, you can pay a much higher rate of pay by having an efficient operation.

We are talking here about people earning, say, \$500 to \$600 per week—\$700 if they are lucky. By knocking a \$100 or so off their wage rates per week does very little to the overall costs of things. It does a lot to demoralise the people. Our position is that the more important thing is for the people to be trained properly, for the people to have the skills to be able to carry out the work efficiently and properly and for the people to be properly motivated. Bringing wages down to what they might pay in Indonesia and places like this is not going to help the situation.

Mr McDOUGALL—I was not calling Indonesia a comparable country, but can I

ask the direct question: do the American train drivers get the same penalty rates of time and a half and double time on weekends that the Australian drivers get?

Mr Marshall—I do not know because I do not cover train drivers.

Mr McDOUGALL—But you raised the point in your evidence that the operators of a train going across to Perth—

Mr Marshall—No, I was not talking about train drivers; I was talking about what has been done in relation to the on-train crew which are the people that are the conductors, the people that provide the meals and provide the service within the carriage. As I say, we do not cover those people. In the discussions that I have had with the PTU, and as I said to Mr Willis, I will get further information and supply the committee with that information. But my understanding is that the awards that were used to base the AWA were a couple of catering awards in South Australia which are far lower than the awards and the penalties and everything that apply to AN workers. The AN award was not the greatest award in the world, because, like most other going paid rights awards in Australia, they never, for the last 20-odd years because of the nature of the wage fixing systems in this country, really matched what happened out there in private industry.

Mr McDOUGALL—What I am really trying to get at relates to the principle of world's best practice, if you want to use that cliché, whatever it means. We know what it means. It means we are trying to bring a comparable operation to a comparable economy. What I am trying to get at is: are the new structures that have been put in place comparable to like economies in Europe and the US or are we saying that we have taken our work force below comparable standards in other countries if we are going to be competitive? Maybe they have employed them under the hospitality industry, and, frankly, I would see train crews in relation to food and beverage supplies on trains as part of a hospitality industry. If we are going to make hospitality and the potential operation of a passenger service across the Nullarbor viable, surely it has to be competitive.

Mr Marshall—Yes, but I put to you that there is a bit of difference between working in the hospitality industry in a cafe or a restaurant down the road and working on a train. The duties that these people carry out are not just coming up and serving you coffee or food or whatever. What was developed with AN over the last three or four years was multiskilled people that were capable of not just serving you a cup of coffee and doing other things but also carrying out other functions as well. It is wrong to compare the work value of what a person working in a restaurant either here in Newcastle or over in Adelaide does to a person who gets on a train in Adelaide and who spends a number of days going from Adelaide over to Perth or going from Perth over to Sydney. We are talking about people that are away from home for a number of days at a time, and people have to be adequately compensated for that, plus the additional skills these people have. You cannot compare what they do with a person working in a restaurant or a cafe.

ACTING CHAIR—Mr Marshall, is there anything you would like to add that we have not covered in the course of questions, or do you have them covered in your statement or submission?

Mr Marshall—I do not think so.

ACTING CHAIR—You made the distinction earlier in terms of the people that you cover and that the AMWU is more to do with the workshops rather than the running crews. Is that correct?

Mr Marshall—We cover workshops and running sheds. They are the mechanical maintenance—

ACTING CHAIR—Yes, but not the running crews on the trains on the rails or the catering crew.

Mr Marshall—Yes.

ACTING CHAIR—I think we have just about covered all the matters we needed to get from that. Thank you very much to you and your union for your submission and your presence here today and your patience. There being no other matters, I propose to suspend proceedings until 1.30 p.m.

Proceedings suspended from 12.34 p.m. to 1.36 p.m.

MORRIS, Ms Lesley Christine, Economic Development Planner, Cessnock City Council, PO Box 152, Cessnock, New South Wales 2325

ACTING CHAIR—Ms Morris, welcome to our inquiry this afternoon. We have your submission and it has been authorised for publication. The proceedings of the committee are the same as the proceedings of the parliament. They are an extension of the proceedings of the parliament. We do not ask you to swear an oath; we simply say that the proceedings are serious and they carry with them the same restrictions and obligations as the proceedings of parliament. They also carry with them the same protections as the proceedings of the parliament. Do you have an opening statement or anything you would like to add to your submission before we ask you some questions?

Ms Morris—I was just going to give a brief overview of the submission. The situation in Cessnock at the moment is that we do not have any passenger rail services. We have one railway connecting Cessnock to Newcastle which is privately owned and operated and is used to transport coal from Cessnock to Newcastle. The last coalmine in the area is about to cease operations and there is little prospect of securing an industrial customer in the short term. The railway, which is the South Maitland Railways, is listed in the Hunter regional environment plan as being of state significance as a heritage item.

We think there are a number of future opportunities for the rail line to Cessnock. One major one is tourism, as a link between two visitor attractions in the Hunter—that is, Maitland and the vineyards area. Maitland has the highly successful SteamFest, which we could extend to the Cessnock area, and there have been some preliminary discussions along these lines with the Maitland City Council, the Hunter Regional Tourist Organisation, the Hunter Economic Development Corporation and State Rail.

We are also looking at developing a heavy industrial park between Cessnock and Kurri Kurri. This site has frontage to the South Maitland Railways, so we see that as an opportunity where rail is capable of meeting the bulk transport needs of any industry we can attract to this location. There is also the possibility of combining with those two users—the industrial and tourism—passenger services in the future.

Our major concern is that once the sole customer—South Maitland Railways—ceases to use the line, maintenance will not be carried out and the rail line will fall into disrepair. This would lead to the loss of an existing asset that would be almost impossible to reopen or re-establish. We are looking to formulate a strategic plan for the future of the South Maitland Railways. However, usage will cease well before we have any of these plans in place. So regardless of ownership, our major concern is that the infrastructure is retained as an infrastructure asset and a heritage asset, because loss of this asset would take away all of these opportunities that we see.

ACTING CHAIR—What I did not say earlier was that the role of the committee is not to argue the case for any particular project—your submission effectively does that.

What the committee's hearings do is provide a forum in which this project of the Cessnock City Council can be aired and be looked at, and I am sure other people will be looking at it as well as members of the committee. In the work you have done with respect to the rail service you talked about, have you looked at the operation of rail services more generally in the region, particularly given the background of Cessnock and the old coal fields and the transport of coal? How do you see the role of the railways in the region generally, how they can be improved?

Ms Morris—We probably have not looked at that aspect. We have looked at how we can use our rail line to more effect, I suppose, and the opportunities to use that rail line. As far as rail in the region, we have not really looked at that.

ACTING CHAIR—So when you are talking about the rail service being discontinued and it ought to be maintained and extended from Maitland through to Cessnock, are you talking about anybody in particular—by government or by some private operators?

Ms Morris—At the moment we have had some discussions with Maitland City Council. As far as extension of SteamFest from Maitland to Cessnock, we were hoping that we could have a joint project where we could involve Maitland council, Cessnock council and possibly the Hunter Economic Development Corporation.

Mr McDOUGALL—I know you are talking about what you would like to do in a study in the future. I noticed you mentioned bulk transport needs of the future and also tourism. Is there a potential passenger market, a commuter market, which exists between Cessnock and Maitland or Cessnock and Newcastle?

Ms Morris—Yes. A lot of the people who live in the Cessnock area commute to work and car is by far the major means of transport to work. There is quite a lot that go north but as far as travelling south to Newcastle and to Maitland there would definitely be a passenger market there. It has been more than 20 years since there were passenger services, but we believe that if we could use the rail for a combination of all purposes then maybe the passenger services could be viable.

Mr McDOUGALL—I may have missed this but does the council intend on financing a feasibility study in relation to this question?

Ms Morris—Yes, that is what we are looking at at this stage.

Mr McDOUGALL—But you cannot have it finished before this closes.

Ms Morris—No. We are only at the stage of preliminary discussions. We hope to be able to finance a feasibility study that can look at all of the opportunities we have identified but obviously that is going to be some time away. The last colliery in the Cessnock area is due to close in April. That is the concern, that the rail will not be used

and maintained after April. There is the possibility that once it is not used it will become rundown and subject to vandalism and we may lose the asset all together.

Mr McDOUGALL—Have you got any idea of how many people commute to Newcastle daily?

Ms Morris—No.

Mr McDOUGALL—How long does it take by car?

Ms Morris—About 45 minutes.

Mr McDOUGALL—How is rail going to compete with a 45-minute car ride?

Ms Morris—It is only about 25 to 30 minutes to Maitland. It would probably be slightly longer than 45 minutes by rail to Newcastle.

Mr McDOUGALL—But they are fairly spread out, aren't they? They do not come to one central point.

Ms Morris—No.

Mr McDOUGALL—That is always one of the difficulties. What is Cessnock doing in relation to attracting industry? Have you got an economic development plan for your region?

Ms Morris—As I said earlier, at the moment our major industrial project is the development of a heavy industrial park between Cessnock and Kurri and this rail line runs past that area. At the moment that is still at feasibility study stage also.

Mr McDOUGALL—We have heard from evidence already given to us that the types of goods that travel by train are from industries that have heavy bulk quantities. Have you done any work in relation to knowing whether or not the industries you are trying to attract are going to be that type of industry?

Ms Morris—At the moment we have consultants doing a feasibility study for this area. That is one of the things that they are looking at.

ACTING CHAIR—Mr McDougall is probably thinking about vats of wine.

Mr McDOUGALL—I am thinking of things that could fill up 2,000 tonnes on a train.

Ms Morris—We do not have a list of industries that we would like to target at this

stage but hopefully you can have it in a couple of months time once this study has been completed. That is one of the tasks that the consultants have.

Mr McDOUGALL—Was this originally a state-owned railway line?

Ms Morris—I am not really sure about that.

Mr McDOUGALL—We might check that with the state rail authority. Who owns the land underneath the rail?

Ms Morris—There is a company called the South Maitland Railway. I believe one of the directors of South Maitland Railway actually owns the land underneath the railway. It is privately owned at this stage.

ACTING CHAIR—I have not read any indication from them of what their intentions are.

Ms Morris—No. We have not had any response to our inquiries at this stage.

ACTING CHAIR—Inquiries from council.

Ms Morris—We have not had any response from the owners as to their intentions at this stage.

ACTING CHAIR—My comment about the vats of wine was completely lost on Mr McDougall. He is from Queensland.

Mr McDOUGALL—I was born and raised in Taree. I quite know the area.

ACTING CHAIR—You would recognise that Cessnock is the heart of the wine producing area of Australia.

Mr McDOUGALL—Yes.

ACTING CHAIR—It is really a transport matter. Looking at the study, when did you say you anticipate having that completed? You have done some work yourself. This is a discussion paper that council has prepared itself.

Ms Morris—For the railway we have not started study there yet.

ACTING CHAIR—I am looking at the discussion paper you refer to in your submission. Have you had any indication when the study will be done?

Ms Morris—We have had positive responses from Maitland council, the Hunter

Regional Tourism Organisation and the Hunter Economic Development Corporation. So we are hoping that amongst those we can fund a study.

ACTING CHAIR—Depending on how long that will be, it might be useful colleagues if Ms Morris were to provide us with a copy of that study. That might help us in consideration of what you are trying to achieve. Has there been any discussion at all to your knowledge, Ms Morris, of the possible utilisation of that track for light rail in the various proposals for light rail networks around the port that have been canvassed?

Ms Morris—No, there have not been any discussions to my knowledge.

Mr WAKELIN—Just to a broader perspective, do you have a view about the Commonwealth role in rail itself? What is your perception of the rail industry in Australia?

Ms Morris—I suppose our concern is that we rank fairly low on the list of priorities. Our concern is that we see the rail line as an asset and we would hope that that asset can be retained with some assistance. I suppose from our point of view we thought we had put our submission in to show you there are areas out there at the end of rail lines who do see that there are opportunities for the future use of the rail but we may not have the funds to actually do anything at this stage. We would like to be considered in your overall plans.

Mr WAKELIN—Do you understand the term ‘community service obligations’ or ‘CSOs’, as we sometimes refer to them?

Ms Morris—No.

Mr WAKELIN—Do you think there is a possibility within your region of attracting some private finance to this sort of operation; have you considered that?

Ms Morris—Yes, we have considered it. But I think at the moment the situation is that there is one customer for this rail line; once that one customer has gone, it is not a very attractive proposition, unless there are future customers for the line.

Mr WAKELIN—But, as I think you have indicated, you have not had a response from the owners yet anyway on what their future thoughts might be, et cetera.

Ms Morris—No, we have not had any response from them.

Mr WAKELIN—I do not think you are in this category but you might have some feel for it. This certainly would not be a grain area, would it; the grain is further out. My New South Wales geography is not good, but I would see the grain belt as being out further.

Ms Morris—Yes.

Mr WAKELIN—Nevertheless, the issue of railway lines closing down is a common thing throughout Australia; and then the pressure that comes onto the roads through extra truck movement is quite a serious issue for local government throughout Australia. Has your council expressed some views about that in terms of the transfer of freight across from rail onto road when you do not have a rail service?

Ms Morris—No, there really has not been because the fact is that the only thing that is transported by rail at the moment is coal, and that will cease once this coalmine has closed down.

Mr WAKELIN—So that is not really applicable in your circumstances.

Ms Morris—No.

Mr WAKELIN—Sometimes your Local Government Association has some debate that you be part of a broader base; but yours would be more specifically a Hunter base, which then would not be affected in that way, I presume.

Mr McDOUGALL—In your submission you have mentioned the Hunter (Heritage) Regional Environment Plan. Who funds that?

Ms Morris—I could not tell you, I am sorry.

Mr McDOUGALL—You say that this railway line has been listed by them as an item of state significance. Does that mean that the state government would be interested in funding the maintenance of the railway line? Usually that is what state heritage commissions are about—about giving funds to help keep things in working order and keep them for the people.

Ms Morris—Yes, that is quite possibly an option.

Mr McDOUGALL—I just wonder how seriously—and I mean this in a serious way—they meant it when they listed it. Did they list it because it looks good and it would feel good and probably satisfy the people, or do they really mean to do something with it by listing it?

Ms Morris—It is part of the original railway that linked all the coal mines. I do not know who funds it, but there is definitely a possibility that we could apply for some state assistance.

Mr MAREK—Just touching on what someone was talking about before, do you think that the private sector, much like your council, should be able to have a greater role

in planning for rail? Do you believe that, for instance, your local community should be able to give input into the restructuring and the development of rail? It would give you more ownership, wouldn't it?

Ms Morris—Yes.

Mr MAREK—Is that the sort of thing that your council would be keen on—playing a greater role?

Ms Morris—I think so, yes.

Mr MAREK—We had FreightCorp here earlier today. Talking to them, they were probably looking, from their point of view, to have a greater push of bulk items like coal, iron ore and those sorts of things on the rail. But one-off items, like parcels or tables and chairs, are more road freighted. Your submission also talks about the amount of damage that has been done to the Gwydir Highway, and so on, from carrying wheat, fuels and those sorts of things. Would you like to see a greater ability to say 'Listen, that stuff has to go back to rail'?

Ms Morris—We do have a problem with road transport or trucks going through Cessnock at the moment. They leave the freeway and, when they are heading north up the New England Highway, they cut across from the top of the freeway and go through Cessnock and come out at Branxton so they can avoid the Maitland area. We have a real problem with trucks down the main street of Cessnock. So our area would definitely like to see more goods transported by rail.

Mr MAREK—So, with that factor, you would like the ability to say, 'Listen, from our point of view, the private sector should have a greater role in identifying what goes on rail and what does not go on rail.'

Ms Morris—Yes.

ACTING CHAIR—Ms Morris, is there anything else you would like to add to that of which you have already spoken or that we have not asked of you to elaborate on?

Ms Morris—No.

ACTING CHAIR—We will provide you with a copy of *Hansard* as soon as it is completed. Thank you, Ms Morris, for your submission and for your time.

[1.57 p.m.]

ANGUS, Mr Ian Leonard, Director of Engineering, Greater Taree City Council, PO Box 482, Taree, New South Wales 2430

ACTING CHAIR—The proceedings of this committee are an extension of the proceedings of parliament; they carry with them the same obligations. We do not ask you to swear an oath. But anything you offer will be treated in a very serious way as though it is a contribution of parliament and, likewise, the disciplines and protections of parliament will apply to anything that you have to say.

Mr Angus—I am aware of that.

ACTING CHAIR—Is there any opening or additional statement you would like to make to your submission before we ask you some questions?

Mr Angus—Mr Chairman, as I think you appreciate, our submission is quite brief. There are three main issues that we put to you. There are the environmental considerations that apply predominantly through the cartage of hazardous chemicals through the area. We also wish to reaffirm our desire to retain and enhance the Countrylink passenger service through Taree. They are probably the two greater issues. Then, of course, there is our concern with the use of fossil fuels, in as much as we believe that the rail network is much more efficient in fuel terms than road transport.

ACTING CHAIR—I am looking back through your submission where you refer to the hauling of hazardous cargo and mix of cargoes. Do you have any information on the nature and volume of those cargoes that pass through Taree?

Mr Angus—On any efforts we have made, that is very difficult to obtain; the various transport companies and the mixes of general cargo make it difficult for us as a local authority to be able to obtain that information. We do not believe that we have the capability to do that.

One of our concerns, though, is that we do know that these chemicals are going through. What highlighted our concern even more was the recent accident on the Brunswick River, where I think something like 3,000 litres of sodium hypochlorite spilled into the river and caused some significant damage.

We have concerns about the types of materials not only going through but peel off the highway into the area. We have in fact designated two routes through our city that we are saying are heavy haulage, hazardous chemical routes. These are programmed to have significant treatment to them. We are of the opinion that, if these materials could be handled on rail, rail has a much better record for safety and handling of those materials than certainly road transport.

ACTING CHAIR—But Taree is a railway town too, isn't it?

Mr Angus—We have certainly a railway station and freight handling capacity there.

ACTING CHAIR—And the rolling stock, the bogie, manufacturer. There is quite a deal of infrastructure related to the manufacture of rolling stock up there.

Mr Angus—Yes. We have one of the big Goninan heavy manufacturing factories in Taree. They have just won a contract for work on railway bogies. That is the latest one. They have in fact been working and do carry out work on locomotives and other rolling stock as well as large heavy mining hauliers, which are a diesel powered tractor combination.

ACTING CHAIR—The rail track between Taree and Newcastle was not designed for speed operation of railways, was it?

Mr Angus—I do not believe so. I think within the last 18 months or so there was the trial of the tilt train through there, and some modifications would be necessary for that to be implemented. That is our understanding, anyway.

Mr McDOUGALL—I suppose I should ask you something about it, seeing it is my old home-town. The national highway now bypasses Taree. I appreciate that you are interested in the greater city area in relation to hazardous and chemical pollution potentials, but wouldn't the highway bypass have significantly improved your perceived problem?

Mr Angus—Certainly any upgrade in the highway network to get it to dual carriageway is going to do that. But you can still have some sort of failure in the truck, in the prime mover. It is not unknown for tractors to lock up in the wheels and then jackknife and tumble when there is no other activity to create an accident. They can do it as a one-off accident. They have been known to run off the road where the drivers unfortunately overextend themselves and they go to sleep. They just run-off the road and bang!

I think it would be fair to say that from Bulahdelah north right through the Great Lakes area, Taree and the Hastings area is a very scenic area. It has a number of streams, as you would appreciate. To have any of those sorts of chemicals get into the waterways would be disastrous along that coast. A lot of those waterways end up in significant estuaries which have fishing and oyster industries. I think we are all pretty well aware of what happened, unfortunately, at Wallace Lake and now what has happened up at Brunswick. They are all the sorts of things that have us very nervous.

Mr McDOUGALL—Taking into account what the Acting Chairman asked you in

relation to the condition of the current railway track, how do you balance the risk of loading up a train full of chemicals and hazardous materials which is going across the same creeks and waterways—that is, you have a concentration of it, a whole trainload that may get into trouble—with the risk of one road vehicle maybe getting into trouble, especially in light of the fact that the train line runs right through the urban city of Taree? Which is the worst risk—a bad rail track that is inefficient and has trouble carrying the new tilt train with a 5,000-tonne load of chemicals, petroleum and all sorts of problems versus singular vehicles travelling on the bypass, which will certainly help your main CBD part of the town?

Mr Angus—I think my response to the Acting Chairman was that it was high speed transport the track was not capable of handling. I must admit that I am only a recent import into Taree. I have been there only three years. I am not aware of our stretch of the railway having any significant problem on the track as far as accidents or things like that. The information and advice I am given is that, certainly, it is speed limited, but that does not make it unsafe if it is travelled at a reasonable speed. We believe that, because of that record, railways in fact offer less risk—and we are talking about risk management—than certainly road transport.

Mr McDOUGALL—Can I put another environmental question to you? If a satisfactory access regime can ever work in New South Wales, we might end up with double-decker container trains going from Melbourne to Brisbane and trundling through Taree 24 hours a day, seven days a week. What sort of environmental impact do you think that would have on the lifestyle of the people in Taree?

Mr Angus—With the present rolling stock and the age of some of the stock, I would suggest it would have a serious impact, but I would expect that with the development of that type of rolling stock would be associated technology improvements that you could argue would be quieter than the current stock. That has happened in railways in other places, particularly in light rail areas. The tilt train, as I understand it, and I am not an expert on this, is extremely quiet. I could imagine the sort of technology that has gone into road transport—such as air bags, suspension and all those sorts of thing—could be emulated in rail transport such that it may be a lot less detrimental as far as noise is concerned but certainly much better in the use of fossil fuels and to the country from an economic point of view.

Mr McDOUGALL—We heard from Goninan today that there does not seem to be any development going on in relation to gas turbines in engines in Australia so we are stuck with diesel—obviously a good fossil fuel burner. That will continue to add a certain amount of environmental impact on any town. In any upgrade of these rail lines that are predominantly freight carrying, if this whole system is to work, what would you think of a major line bypassing the town, just like the highway?

Mr Angus—As long as in the bypass we had the facility and capability of a loop

through so we would have good access for passenger services and good access to create in our eyes a regional freight centre for Taree. It is the city council's vision that Taree becomes the regional economic and industrial centre for that part of the mid north coast, to the extent that we are in the process of developing a completely new industrial town plan. In fact we believe the area where Goninan is located would be the ideal place for a freight centre in a designated industrial area. If it is physically possible through the topography—and I know the valley a bit—and if you could take the main line out of the urban area, then I am sure the council would support that strongly and see it as a worthwhile exercise.

Mr HOLLIS—Have you ever had any major spills in Taree with trucks going through there? You mentioned one at Brunswick Heads, but have you ever had any spills in Taree?

Mr Angus—We have had minor ones. I cannot nominate the numbers and instances off the top of my head. I was in a meeting only last week where one of the group captains was expressing grave concern that Taree did not have the HAZMAT capability, although it did have the trained people. This equipment had to come down from Port Macquarie which was causing the fire services, particularly, grave concern. On the basis that we do have a number of accidents on the highway along its full length as it is, I have already conceded that the upgrade of the road to dual carriageway will be a big help but it will not eliminate the problem.

Mr HOLLIS—Is Bulahdelah in the Taree municipality?

Mr Angus—No, it is not. Bulahdelah is in our neighbouring local authority of Great Lakes. Bulahdelah is some 72 kilometres south of Taree. Our boundary is 36 kilometres south of Taree.

Mr MAREK—The general public—from where I sit, I guess—would like to see more goods on the rail, particularly fuels, chemicals and those sorts of things. Up in central Queensland, where I come from, are all the coal mines. The coal mines are obviously trying to get better economic deals. So they are pushing for cheaper rates. Then there are large fuel companies moving from rail to put heavier loads onto roads and that sort of stuff. There is a move afoot. You can see what is happening. There probably would be more stuff going on road than there is on rail. With that in mind, as I was trying to discuss with Lesley Morris a little while ago, do you think the public or the private sector should have a greater input into the development and Australian Rail? To that end, do you think that government should possibly look at legislating, within reason, what sorts of items should be on road compared to rail?

Mr Angus—Yes, I do. The reason the submission is here is that at a meeting of the council I was directed by the council to put in a submission to this inquiry because of the concern of the council about this tendency that appears that the Rail Authority is

interested in only large bulk carrying; yet there is a community benefit in the railways being able to provide other carrying facilities which we believe is much superior to road transport. The pure economic rationalism, we believe, is flawed and there are these other community considerations that have a value and need to be considered.

I am well aware of the situation in central Queensland. I came from Mackay, so I understand what you are talking about. The Queensland government, I think in conjunction with the federal government, have spent many millions of dollars electrifying the line as far as Rockhampton. That has become a very significant and great service to Queenslanders. If we could have much the same sort of approach in New South Wales, I believe it would be an absolute boon.

Mr MAREK—You need us Queenslanders to come down here a bit more and show people how—

Mr Angus—I come from Victoria originally.

Mr MAREK—With cattle there are all the different cattle trains and that sort of stuff that are running around the place. When you start talking to a lot of the graziers and those sorts of people, you realise that they are in a position where they cannot even get their cattle on the rail, owing to the fact that they do not have enough cattle going in certain K or triple K whatever wagons. Another problem they are having is that coal and other products have priority over other perishable goods. Therefore once again you are in a situation of asking, ‘Why use rail when road is quicker, simpler and more flexible?’ It goes right in line with what you are saying.

ACTING CHAIR—Mr Angus, you have not got any data on the quantity of hazardous chemicals or the nature of hazardous chemicals—

Mr Angus—No, I am sorry.

ACTING CHAIR—Nothing on rail either? The council has not done any work on that?

Mr Angus—No, we have not got any of that information.

ACTING CHAIR—What about the use of the rail service to and from Taree for passenger purposes? Is that declining or static?

Mr Angus—My understanding is that it is certainly far from declining and in fact is seen as a very essential service to Taree. I can perhaps give you a personal account on this. I have four adult children. At one stage three of them were living in Brisbane and one in Melbourne. It was a great boon for us in their being able to take advantage of the

rail transport from Brisbane to Taree and back again and from Sydney to Taree and back. Some of my family felt much more secure, much safer, travelling on the rail than they certainly did on the bus transport. They were prepared to pay a little premium to have that by way of cost and by way of time slotting.

A large number of people do not drive. A very significant section of Taree's population are aged above the state average and really rely on rail to be able to get transport to and from predominantly Sydney for specialist services. They really rely on rail for that.

ACTING CHAIR—Is use of the rail service and the linkages promoted by industry, by business and by the council in Taree? What kinds of linkages do you have?

Mr Angus—Actually, I congratulate CountryLink on this basis. They do promote the services through travel agents. A lot of ticketing is done through travel agents. They also are very good at promoting the use of rail transport to and from Sydney. Particularly when special occasions are happening in Sydney promotion is usually done on that basis.

ACTING CHAIR—So it is a package kind of arrangement.

Mr Angus—Package type of arrangement, yes.

Mr WAKELIN—You have touched on economic rationalism and what you or your council might regard as some of the excesses of that in terms of the demise of rail—or that is how I interpreted it. We hear all the positives—the environmental issues, the safety issues, the fuel economy—and yet road transport does seem to prevail, does seem to roll on regardless. Why do you think road transport is so strong?

Mr Angus—That is an off the top of your head question. I would respond that there is very good and strong competition in road transport. Perhaps you could even argue that sometimes it is a bit excessive in that it causes the operators to take risks that they should not. Maybe there could be some way of introducing good, strong competition utilising the rail network as we do the road network.

I think the other aspect is that, in my opinion, if we could put into place the materials handling techniques that road transport has used—this is why I make reference to Taree perhaps being a regional freight centre—and special facilities are made to enable easy roll on, roll off then rail would start to become very competitive because then you can start looking in terms of long haul—Taree is over 300 kilometres from Sydney and 600 kilometres from Brisbane—and using then short haul to service the regional area with road transport. That would be less detrimental on our road network and we believe a lot less dangerous.

Mr WAKELIN—In other words, you believe—and many people would agree with

you—that road transport has adapted and has become more flexible and is more innovative. This whole lot of positives and competition have really driven its progress. From what you say about road transport, rail has been too slow to respond to the marketplace and the community.

Mr Angus—Yes, I believe that is correct. The other aspect too is that the power plants and type of equipment that the road hauliers are using today are much more superior to what they were even 10 years ago. So the advances in that sort of technology have made them highly competitive and very fast. There are no two ways about it: they are. I am of the opinion that, if we could put some effort into improving rail's technology upgrades and use of modern technology, even more than we have now, there would be great improvements.

From my experience of working in three states and a territory, the rail network has, in my observation, always been the poor cousin when it comes to implementation of technology. Because it involves such big parcels, the injection of capital is so large that it is very difficult to be able to justify, whereas perhaps on a national basis that becomes a much more viable proposition to be able to inject capital into the rail network to get these improvements and benefits for the economy.

ACTING CHAIR—If you have had all that experience, you would have recognised over the years that the railway systems have been a series of fiefdoms too, haven't they?

Mr Angus—Yes.

ACTING CHAIR—The ramparts have been very high, and they have been very jealously guarded, haven't they?

Mr Angus—That is certainly right.

ACTING CHAIR—There has just been a lack of a national outlook to the system.

Mr Angus—If I may offer: I think too that we have seen very significant culture changes in organisations in Australia—and I know that is so in my own area of local government, particularly in responding to the Hilmer report and things like that. Railways, having been the oldest mode of land transport in this country, have entrenched in their cultures some practices that need to be exorcised; they really do. I do not think that is a secret. If that culture change could take place and there were a more positive and competitive approach to the business, I am sure we would get great benefits from it.

ACTING CHAIR—I think we should never forget that really the great development of Australia came with the rail system, and that it was the structure of rail lines that led the development.

Mr McDOUGALL—Just following along that point: you have mentioned the fact that your older citizens—and you have a large number of them—use the railway extensively. If we are to upgrade railways—if the Commonwealth, the states, the private sector and everybody combined is to put more funding into upgrading railways—I think you would agree that there is a certain level of user pay that would have to come to pass, including passenger as well as freight. On the basis that it would be fair to say, I think, that the majority of your elder citizens use that rail to Sydney because it is cheap, because they get their two free tickets a year, how would you overcome the problem if you were to extend the user pay in relation to an upgrade; and would you get the same patronage on the rail?

Mr Angus—I think you have touched on the point that capacity to pay is the critical thing. We probably have, if not the lowest, one of the lowest rated incomes in New South Wales of a council of its kind; we are a very low income local authority. We have a large number of people on fixed incomes and we have a large number of people on social benefits. Their having low incomes surely should not stop them from being able to access good services. Perhaps that is an area where the community benefit and community responsibility has to come into the equation, and not just the pure economics of the thing driven purely by the bottom line. We would argue that there needs to be a system developed so that a person's capacity to pay is also matched with the user pay principle.

ACTING CHAIR—That brings us to community service obligations—providing those services which would not be provided if decisions were to be made on solely a commercial basis. So what you are suggesting is that those services ought to be provided and the costs borne by somebody.

Just to fill in what is happening at Taree, can you tell us something more about the coordination of rail and bus services around Taree? Does it just sort of happen, apart from what Centrelink does, or is there a network of services set up there?

Mr Angus—Yes—in fact, not so much in Taree proper because Taree is a population of a little over 20,000, although the local authority area is 44,000. But on our southern side we then have Great Lakes, Forster, Tuncurry; and we also have to the north Port Macquarie, which is not serviced by rail. In fact, people who wish to have rail travel have to come into Taree or, if to the north, they go further north to Kempsey.

There are bus services that provide that. Great Lakes bus company provides a service that links with the railway and the times of departure and arrival of the rail. There is a small shuttle bus that also provides that service. The township of Taree does not have a significant urban bus network; it cannot be sustained because of population size. So people usually find that they have to rely on private transport either by friends or by taxis.

ACTING CHAIR—Looking at the attractions that Taree has and given that Taree is the centre of much of the coastal recreational activity and plays a major role in that

respect, if there was to be a greater promotion of the tourist potential of that area is there somebody or some organisation you would see that would be prepared to invest in that? Do councils put money into it? Do local industries put money into it?

Mr Angus—Our council does not see itself in the role of being an investor or a player in those private enterprise games. We have just recently formed a development corporation, which has funding by the council. The charter of that organisation is to go out and seek industry development. Tourism is a major industry as far as development is concerned. We would see that our role would be in trying to promote and foster private enterprise taking up those opportunities.

On the point of tourism—again from personal experience I say this—we had visitors to our home 12 months ago from South Africa. They chose to travel by train simply because of the scenic opportunity that gave them in travelling from Brisbane to Taree and then here, where they stayed with us, and then on to Sydney. They were most impressed with the trip. They thought that it was a marvellous experience and chose to take that method of transport over aeroplane and bus transport.

ACTING CHAIR—Mr Angus, I do not want you to miss the opportunity of saying something for Taree and for the region. Is there anything else we have not touched upon that you would like to advert to before we close proceedings?

Mr Angus—I do not think so. You have given me a good opportunity.

ACTING CHAIR—Thank you very much. We will provide you with a copy of the *Hansard* as soon as it becomes available.

Resolved (on motion by **Mr Hollis**) that:

This committee authorises the broadcasting of this public hearing and publication of the evidence given before it today.

ACTING CHAIR—On behalf of the committee, I thank all witnesses and those who attended today, particularly those in the gallery, for their submissions and attendance here—particularly Mr Angus. Given the effort on the part of your council and the journey time from up there to down here and back, we particularly appreciate your presence. Thank you very much.

Committee adjourned at 2.27 p.m.