



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

SYDNEY

Wednesday, 18 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

CAMP, Mr Gary Frederick, General Manager, Rail, Patrick Rail Operations Pty Ltd, Level 8, 309 Kent Street, Sydney, New South Wales 2000	437
CRAIG, Mr William, President, Campbelltown and Districts Commuter Association, c/- 8 Terrigal Place, Woodbine, New South Wales 2560	429
DAVIDSON, Mr Anthony (Tony) John, New South Wales Manager, FCL Interstate Transport Services Pty Ltd, PO Box 141, St Peters, New South Wales 2044	384
DAY, Dr Richard Anthony, General Manager, Rail Development, State Rail, 11th Floor, Xerox House, 815 George Street, Sydney, New South Wales 2000	333
GEHA, Mr Adam A., Executive Assistant to Deputy Managing Director, Macquarie Bank, 20 Bond Street, Sydney, New South Wales 2000	353
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HENRY, Mr Owen, General Manager, Operations, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000	405
HICKS, Mr Peter, General Manager, Network Assets, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000	405
KNOWLSON, Mr Andrew, Manager, Planning Services, Shellharbour City Council, PO Box 155, Shellharbour Square, Blackbutt, New South Wales 2529	394
MOORE, Mr Nicholas William, Head of Project and Structured Finance, Macquarie Corporate Finance (Macquarie Bank), Level 22, 20 Bond Street, Sydney, New South Wales 2000	353
STACK, Ms Judi, Chief Executive Officer, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000	405
TRONSON, Dr Kim, Managing Director, Rio Tinto Coal (NSW) Pty Ltd, PO Box 315, Singleton, New South Wales 2330	372
WALLNER, Mr Frank, Manager, Healthy Cities Illawarra Inc., 49 Kembla Street, Wollongong, New South Wales 2500	394

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Present

Mr Neville (Chair)

Mr Hollis

Mr Tanner

Mr McArthur

Mr Wakelin

Mr McDougall

Mr Willis

Mr Peter Morris

The committee met at 8.50 a.m.

Mr Neville took the chair.

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform in its inquiry into the role of rail in the national transport network. Today in Sydney is the fourth day of our public hearings. In opening these proceedings I should like to 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. The committee's role under the terms of reference is to investigate how rail could operate better and in the future, and to report its findings and recommendations to the parliament.

The public hearings today will enable the committee to take evidence from the people of the State Rail Authority of New South Wales and the Rail Access Corporation as well as the Sydney Ports Corporation. Evidence will be given by Macquarie Corporate Finance, a key financier of major infrastructure projects. We will also welcome the opportunity to hear evidence from three private sector operators: Rio Tinto Coal of New South Wales, Patrick Rail Operations, and FCL Interstate Transport Services. We will also invite two community groups to give evidence: Healthy Cities Illawarra, and the Campbelltown and Districts Commuter Association. The committee believes that groups which represent special interests in the community add a dimension to the committee's work, and we look forward to hearing from them. On behalf of the committee I welcome anyone appearing before the committee today and those of you in the gallery.

Before proceeding, I wish to advise all witnesses that although the committee does not require you to take evidence on oath the committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament.

DAY, Dr Richard Anthony, General Manager, Rail Development, State Rail, 11th Floor, Xerox House, 815 George Street, Sydney, New South Wales 2000

CHAIR—Welcome, Dr Day. You have heard the caution. The committee has received a submission from you for the inquiry. Are there any corrections or amendments you wish to make before we proceed?

Dr Day—No, thank you.

CHAIR—Before the committee asks you questions, would you like to make a brief opening statement of about three minutes or so.

Dr Day—Yes, thank you. We deliberately wrote a fairly short overview. We felt the committee would have enough material to go through. I would like to highlight some of the key things. State Rail wishes to lend its support generally to the thrust of the other major freight operators and the Australasian Railways Association in terms of the reforms that I am sure they are suggesting to you in very great detail. In general, we are very happy and supportive of those types of reform.

The reason we felt it would be valuable to the committee to come forward ourselves was particularly to assist in understanding the requirements of the metropolitan railway in Sydney and how it relates to the need to accommodate both freight tasks and the metropolitan passenger task. We also wanted to draw a little attention to the marginal cost structure of the existing CountryLink passenger services, and indeed most long-distance services, and indicate that because of the likely growth in freight activity and with passenger activity in Sydney there certainly is a need for a strategic investment program that helps reconcile those two needs.

CHAIR—One of the questions that intrigued me was your saying that metropolitan railways work best when all lines are segregated. What do you mean by that?

Dr Day—In the underground metro systems such as London, Paris, New York, those big systems of which you may be well aware, virtually all of the lines that operate there actually run independently of another line. When you are running a very intensive train service, each time you bring a couple of lines together, the reliability issues of merging all of those trains perfectly is extremely taxing. So the more complicated a system gets, in general, the greater the segregation.

However, obviously when you do not run as many through trains to different places, it requires passengers to interchange between routes much more often. That is certainly the case on the metro railways. So you can run a segregated service only when there is a very frequent pattern of trains. If a person changes from line A to line B, they expect a good interchange and another service in a few minutes. But certainly, as a railway gets more and more complicated, it is desirable to keep the actual service

operating pattern as simple as one can. That is what we essentially meant by segregation.

We seek to do it in Sydney to the extent that we can. Although it is not always appreciated, our metropolitan railway here is largely divided into three operating sectors. As far as possible, with the existing track we have, we keep those sectors operationally separate. So a problem arising in one does not compound its way into the rest of the system. But we are a little bit limited in the extent we can do that.

Mr WILLIS—Would you like to elaborate on that, Dr Day? I understand that you do have a serious problem in some parts of the system where the freight system and the metropolitan system are together and that this particularly poses a problem with the forthcoming Olympics, unless a dedicated freight line is implemented by that time. Is that the case? If so, what is being done about it?

Dr Day—I might, if you are happy, comment on the Olympic question particularly. I think it is part of the more general problem which might be worth while to spend a few minutes on. Certainly the intensity of service that we are looking at having to run for the Olympics does mean that it would be virtually impossible to run freight trains and the dense Olympic service at the same time during the vast bulk of the day during the Olympic period. I must caution at this stage that we have not developed the detailed timetables. We are working with all the various organisations on the likely patronage and refining how best to do the task. So I have to talk in general terms.

Certainly with the intensity of service that would be required in Olympic Park and the very short section of shared track, which impinges on both freight trains to the north and freight trains to the south just briefly at the area of Flemington, it would be very difficult to try to insert a freight train into that area during the 18 hours or so of operation each day. As a result, my understanding is that our own Department of Transport and certainly the rail authorities are looking at the provision of a grade separation, effectively a freight underpass, to completely segregate from the Olympic Park operation the otherwise dedicated freight line which runs from Enfield through Flemington to North Strathfield. The hope would be to commission that as soon as possible. I point out that, because of the development of the Homebush Bay area, the Easter shows and the stadium events that occur there, that particular confliction will occur for many years. That is really why in benefit terms it is very important to both sides of that equation to achieve a total separation there.

I think what you have highlighted there is a special case, if you like, of the overall problem which I am sure the committee is extremely concerned about: how do we handle freight trains in the metropolitan area? I stress that, even though I am representing a passenger railway, we are very cognisant of the needs of an interstate freight network. At the same time, our own task is extremely large in Sydney by world standards. We carried last year 265 million people on the CityRail passenger system; that is an extremely large number. It works out on a busy weekday to be about 900,000 people, of which something

like 300,000 are carried in the morning peak between about 6.30 and 9.30. So that is a very intensive task.

The most difficult conflicts with freight trains tend to occur in the early morning and the evening peak. On the southern corridor, because of the nature of overnight business, freight trains coming up from Melbourne need to penetrate into the metropolitan area at the same time as our morning peak through Campbelltown, Glenfield and Liverpool. So there is an issue of congestion there. In the evening, you get the reverse movement towards Melbourne but you also get trains particularly heading off on to the Brisbane corridor. They are the main sorts of conflicts. There is, as you would be aware, quite a reasonable sized metropolitan goods system in Sydney now that links both of the port accesses into the Enfield-Chullora freight area, and the issue is how to facilitate better operation of those freight trains out beyond the actual metropolitan suburban area.

I would suggest, in view of some of the comments you have certainly received from other people, that I do not think there is a single right answer as to how one deals with freight and suburban trains. If capital were unlimited, obviously you would create segregated networks for all functions. I mentioned in our submission that in Germany, where they tend to have a lot of alternative routes, they are seeking to segregate whole routes where they can. Certainly, in difficult bottlenecks—for example, I would cite Glenfield through Liverpool and Cabramatta as a very dense CityRail area which also requires reliable movement of freight trains—the answer would seem to be complete dedication of a freight track.

The metropolitan extensions to Newcastle and Wollongong with the coal trains, and also the service into the Southern Highlands at least as far as Moss Vale, are classic examples of multipurpose track, where we all have to work together on the same track. I think then the issue is to ensure that the protocols, agreements and contracts are well engineered to ensure people do operate together. When we look at investment, I think it is putting in strategic investment that allows us the greatest shared capacity on the tracks. I do not think it is a simple matter of aiming for complete segregation because of the costs; it is a matter of balancing the resources.

Mr WILLIS—Are you aware of what the cost of the investment would be to provide the grade separation to overcome the Olympic problem?

Dr Day—I know that a figure of approximately \$30 million has been talked about. As it is refined into detailed design, that could vary somewhat, but that would be an order of magnitude.

Mr WILLIS—If that is put in place, what does that leave in terms of a problem of grade separation in the metropolitan system?

Dr Day—That would effectively alleviate the core of the freight network. As I pointed out, the remaining corridors would be the south corridor, where our electric trains start at Campbelltown-McArthur. There is double track up to East Hills, in which there has been partial construction of the freight line but there is something of a capacity problem there. I can certainly provide another map for the panel.

CHAIR—That would be good.

Dr Day—Certainly, from Glenfield up through Liverpool and Cabramatta, we have a very busy double track line with a lot of our trains in there, and I think that is a particularly important area to provide relief for the south. After we leave Cabramatta, the number of trains is lower and I think sharing is more practical in the short term. I am highlighting the immediate bottlenecks there. They have been dealt with in previous work done for the One Nation program originally. That identified the freight strategy for Sydney. Certainly, as I said, the Cabramatta-Liverpool bypass, if you like, and possibly an extra bit of track around Campbelltown—which is a very busy centre—would be the south line requirements.

Leaving Enfield and Chullora going north, after the underpass we have just discussed, that effectively gets you access on to the main lines to the north at North Strathfield. I think that is a classic case of sharing track, and a lot of that route has already been quadrupled so there is more capacity there for sharing freight trains. The other project which is now, I believe, under way is the lengthening of the Cowan loop at the top of the Hawkesbury Bank and that is also vital to allow freight trains to pull over. What we are often looking for there is to provide basically lay by—sometimes it is an extra loop, sometimes it is just using part of a double track railway—where a freight train can be held and overtaken by a faster passenger train.

Mr WILLIS—Whose responsibility is it to make the investment? Is that the Rail Access Corporation?

Dr Day—Yes, Rail Access are the infrastructure owner now, so they have the rather difficult task of balancing the various needs.

Mr WILLIS—But it is not just their decision; it is a government decision, I take it, to decide to make that investment.

Dr Day—In essence of course, it relates to seeking the finance for it, so in that sense Rail Access are always looking at their customers and at what can be afforded. As you would be aware, it is an issue of what freight can afford and at the same time what the passenger rail system can afford.

Mr TANNER—I just wanted to ask you about the disaggregation issue. There has been a very different approach taken here in New South Wales from Queensland, for

example. It was interesting in evidence to the committee late last year when Ed Burkhardt from Wisconsin Central made some fairly strong comments suggesting that he is very supportive of vertical integration in the rail industry. For the record, I wonder whether you could simply describe the disaggregation that has occurred in New South Wales and the new corporate entities that now function with FreightCorp and so forth. Could you also provide us with your view about what the negatives of that might be with respect to transaction costs, loss of economies of scope and scale, and so forth.

Dr Day—If I may make the comment that passions run high sometimes on the best way of doing this because it is a very difficult problem. Just to recap for you briefly what has happened in New South Wales: the amendment to the Transport Administration Act split the old State Rail essentially into four entities. State Rail now is a passenger train operator very similar to the British TOCs—the train operating companies. FreightCorp is the old freight rail arm of State Rail and essentially now operates the freight trains.

That leaves the infrastructure and the maintenance of the infrastructure. The operating infrastructure of the railway passed in ownership to the Rail Access Corporation. State Rail remains the landowner, but this is largely to do with the difficulties of trying to separate the land holdings out between operational land, station land and so forth. It was essentially more of an administrative issue. Rail Access is now responsible for all the operating infrastructure, and then the Rail Services Authority is the track maintenance unit which has been put on something of a more commercial footing and been involved in some competitive tendering for maintenance contracts.

CHAIR—Why don't you put the last two together because they seem to have very similar tasks?

Dr Day—Again, if I can refer to the British example, they generally did not do that with the idea being that there is an owner and the maintenance task, which is essentially a construction and discrete task, is made contestable right from the beginning in the UK. Within all railways around the world, there has always been a tension between the engineering excellence, if you like, of railways and the need for the commercial business of what one can afford. There has often been a temptation to have the maintenance areas separated out from the owners.

That is basically the structure of the four entities. Superficially that looks like the UK model, but there are one or two very significant differences. While the Rail Access Corporation is the owner of the infrastructure and therefore is responsible for allocating access paths to all operators, they have contracted the actual operation of the network back to State Rail. So the network control function is currently within the State Rail Authority, which is effectively acting as a contractor to the RAC.

That is partly—and this is an issue we alluded to in our brief submission to you—to do with the complexity of running a metropolitan railway. We run well over 2,000 train

services a day. While I mentioned to the chair earlier on the desire to segregate services, in general, those 2,000 services are very closely interwoven with each other. You may be aware that in November 1996 we sought to introduce a new timetable in Sydney which was extremely unreliable. It was essentially because of trying to get this interaction of trains correct.

The view is often taken in metropolitan railways around the world that that sort of complexity is best dealt with by having the controllers and the signallers, the people that operate the network, the people that plan the timetable, the business people that require the changes, the fleet owners, which is ourselves, and the station staff. All of those people are best seen as one organisation because any one of those groups can cause a great deal of disruption to the system. That was essentially the logic. But in that model we are contracted to run the freight trains whose paths have been acquired by freight operators to the timetable specified.

That is essentially the model we have. There may be shortcomings in it. What I would have to point out is that there are shortcomings in any method of trying to divide up this rather complicated task of running trains on a fixed infrastructure. Our new chief executive, Simon Laine, has pointed out very usefully that really it is about breaking silos. He often stressed that there is an operating silo, an engineering silo and a passenger train silo—and then you have freight operators with their views. It is essential to work across all those elements so that when we are trying to do track maintenance or when we are trying to squeeze in an extra train onto the system, be it freight or passenger, we are reconciling all those different needs.

In the past, we did that within one railway family and there was shouting, screaming and arguments about who should get priority—the issues were always there but they were in house. What we are doing through any commercialisation process is pulling that out to make it more transparent to people in terms of cost and visibility about who is benefiting and who is paying. But you still have that need to tie all those different requirements of maintenance, train planning and operations together. The current model certainly seeks to do that. The fundamental task is to make that model work really well. Once it is working well, you could gravitate to variations of that theme but the task will still be the same.

Mr TANNER—Has any attempt as yet been made to quantify the additional costs of disaggregation, particularly things like transaction costs and so forth, and equally to quantify the benefits that have arisen and to compare the two; or is it too early to do that?

Dr Day—I believe it is somewhat early. We certainly have not explicitly sought to do that. But I know the committee—because I have read some of the submissions—is aware of the issues in the UK and of how much money was put into that. I can point out that, in general terms in the New South Wales government and treasury, the cost of running the railway now is essentially either what it was before or reducing. There has not

been huge contractual costs and support put into this model.

Because there are a lot of extraneous factors in it—whether we are doing more work, whether we are building more railways—it is at this early stage rather difficult to say what the final success of this approach will be. But certainly it is beginning to focus all the organisations more clearly on their core tasks, whether that is trying to get down the costs of maintaining track, whether it is trying to run the passenger business more tightly and being aware of what it is costing—it is having the effect of focusing us. The price you pay for that is certainly the balancing item. By breaking us up into more pieces to focus us and then requiring the contractual links, there is likely to be some costs but, of course, the hope is that the sharpness of focus gets the cost structure down.

Mr TANNER—Just one more question: what current or intended extensions of the network are occurring or are going to occur?

Dr Day—Currently, the Olympic Park loop is essentially commissioned and that was roughly \$100 million—I am talking generally but it is approaching that order—in costs. The major extension to the passenger network at the present time is the new southern railway or the airport link and that is scheduled for completion early in the year 2000. Apart from serving the airport, that will relieve passenger train congestion from the Campbelltown area approaching the city. So it will have some network benefits. They are the only schemes approved and essentially under construction at the present time.

There is considerable discussion in Sydney on the development of a Parramatta railway link from Parramatta through a point on the northern railway—probably Epping but it has not been determined absolutely—then through the North Ryde area and into the North Shore line, probably at Chatswood. That line is a very important route for Sydney and CityRail because essentially what that is doing is relieving the congestion on the existing western and south-western line.

We have a lot of traffic growth from Penrith, Blacktown, Liverpool and Fairfield. That is all channelled into a single corridor from Granville into the city, and at Strathfield it picks up a lot of trains on the northern line as well. Essentially, as you would appreciate, railways are just like roads in terms of handling congestion and seeking bypasses. That northern route is effectively a relief line to the main western line.

But, as is being done in quite a few other cities, rather than keep duplicating the same routes so that you get a bigger and bigger motorway, and the airport rail link is a good example of that, you seek to bring another part of the city onto the network as well—in this case this would be North Ryde and Macquarie Centre. So you create new opportunities while relieving congestion. That is currently the one that the city is looking most closely at. Other issues are amplification of the existing East Hills route because of the growth in Campbelltown—so extra capacity on that. Then, although it is not funded, there is the issue of how one might deal with freight trains and amplify the network for

those.

Mr McARTHUR—Just following the question Mr Willis raised in terms of the freight access into Sydney and out of Sydney, it has been put to me that really the whole north-south corridor of Brisbane-Melbourne will be fundamentally held up because of the exit and entry into the Sydney system and because you are dominated by the urban traffic and you allow about only six hours night movement of freight. Could you add a comment that really any new innovations in the rail national rail freight system could be totally bottlenecked here in Sydney because your authority is dominated by an urban transit system? That is fair enough, but the freight always takes second place, especially from midnight to 4 a.m.

Dr Day—Yes. Clearly, as I suggested, Sydney is always going to be one of the bottlenecks on the system unless we spend enough money to overcome that issue. If you look at it in commercial terms, the actual value of a peak hour path to CityRail, bearing in mind that one of our trains carries 1,000 passengers to work at that moment, any commercial railway could show that those paths are extremely valuable. Looking at the rail track experience in Britain now, they have calculated what the cost of a passenger railway shutdown is for a quarter of an hour or so, and it can be astoundingly expensive. In that sense, I believe there is a commercial imperative underlying that need to run CityRail trains. It could be expressed commercially rather than just that we must get those passengers through. Having said that, clearly if freight is to survive it has to get into Sydney—and that is important.

In answer to your question, the whole corridor has speed restrictions. One has to consider whether extended passing loops on the north-coast corridor, track straightening, can provide better benefits in terms of the total speed of the journey than amplification in Sydney. I think you have to look at what is the best value for money there.

As I have said, coming in from the north, effectively the interstate freight trains at Maitland start mixing with passenger trains and other traffic all the way through into Sydney. I am confident it would make no economic or financial sense to separate all of that, so there will always be a considerable amount of shared track right up to at least Cowan bank. When you move closer in to the city the existing corridors are a very precious urban resource. It is not easy to extend the corridors we have now. So it becomes a matter of getting the very best value we can out of these corridors.

I think in general, as I have said, on the north corridor essentially from Cowan right through to North Strathfield I would believe that sharing track is the best answer. By that I mean having a clear contractual obligation that when expansions are made certain rights have been purchased by them, whether they are freight paths or additional passenger paths, but sharing because you will get a better utilisation that way.

Where the bottleneck is particularly serious there is, I believe, real benefit in a segregated line. That is why I suggested Enfield-Chullora through to at least Glenfield on the south line being at least a very good example of where the freight train would be better segregated. Everybody would benefit from that. The issue heading south then is on the two-track corridor to Campbelltown. There is already a freight track for part of the way but, by definition, a single-track line requires passing loops every so often for trains to cross each other. There are other trains around and you may well get the better solution quite often by sharing track.

Mr McARTHUR—Could I ask about the Rail Access Corporation? There is quite a lot of debate about the charge rate of users moving into the Rail Access Corporation. Could I get your interpretation? Given that there is an argument that the infrastructure has had insufficient capital expenditure so that the Rail Access Corporation will have this fundamental problem of how much do they charge the users, is it what the market will bear or is it related to return on capital? Should they make a profit or should they just provide a service to the rail users?

Dr Day—I believe you are aware that is an extremely complicated set of questions. I am not qualified to comment on too many. Clearly, finding the funding to support the physical infrastructure of railways is a major difficulty. I do share the unanimous view from the freight operators. I know from reading the RAC submission that the issues of the level playing field, the diesel fuel tax and all the things you have heard about are passionately believed in by all railway operators. Certainly under the current road regimes in Australia and the current nature of our railways, I think it would be very difficult to run even a single commercial freight operation let alone competing operators without looking at those huge fundamental questions which I think we all welcome your inquiry doing.

In Sydney itself—I perhaps could cope more confidently with that question—through State Rail the New South Wales government certainly puts a great deal of money into the Rail Access Corporation through its access payment. We believe in State Rail. RAC obviously would be at liberty to dispute that. We believe the infrastructure in Sydney is actually in excellent condition. I do not know whether the committee has had the chance to inspect it but hopefully you will have seen the state of the infrastructure. It is expensive infrastructure essentially paid for by the government to run the metropolitan railway. In that sense, the city directly funds the metropolitan railway, primarily because our fares are extremely low.

Given the fact that car pricing is also non-existent in Sydney as in most other cities and the cost of motoring here is also considerably less than in Europe in terms of congestion costs, parking costs and registration and petrol costs, there is a balance there. It would be a mistake to say that we should raise our fares. I think the balance is in position. So in a sense the passenger railway is funded by that means here and can provide for its own capital. The freight railways, I think, do have a real problem. I know the committee understands in economic terms that you should price at marginal use to maximise usage of

the fixed cost, yet somebody has to bear the price of the fixed cost. It is a difficult problem.

Mr McDOUGALL—Can I stick with the Rail Access Corporation and how this horizontal system operates in New South Wales? We heard yesterday that 75 per cent of FreightCorp's operation works in the Hunter Valley. You have given us this morning a pretty detailed explanation of CityRail's operations in Sydney. If you take CityRail's operations and you take FreightCorp's operations, you are dealing with the majority, I think, of the operations of rail in New South Wales in relation to passenger numbers and tonnage. Outside those two areas, how interested is New South Wales rail in the national network other than resolving its two major problems?

Dr Day—There is an element of government policy in that I cannot answer. I suggest that all around the world, and our submission pointed out, there are two other major requirements of rail. One which is emerging is long distance trunk haulage between major metropolitan centres. Admittedly it has an interstate perspective. I am well aware that one of the issues is how does Australia come together on a funding issue about interstate railways between different states. But at the end of the day all states, I believe, would benefit from having an interstate freight network.

It may be helpful, if you can bear with me for a second, to point out that exactly these same problems are occurring in Europe. You would probably be aware of the Trans-European Network, the so-called TEN scheme. One of the fundamental stumbling blocks on extension of high speed passenger lines in this case, I believe, between Cologne and Brussels and into Amsterdam was that each state was counting the benefits to its passengers within its state but it was not counting the benefits to its passengers in the other states. As a result they were finding this conundrum that they were not finding economic support for extending the network when the whole country would have benefited.

That nettle was finally grasped and the economic analysis was extended to what is the benefit to Europe of those interstate lines. Certainly the Europeans are putting considerable European money into long distance links. Again, the committee may well be aware that, apart from the passenger links which are much more important for various reasons in Europe, the latest initiatives are those through freight corridors, which again you may well be aware of, on the north sea ports in general through to southern Italy and then subsequently from London and Paris through to Hungary. They are finding that same issue, that you need overall support of those lines because their economies benefit from them. I think there is more to it than just concentrating on two of the main rail areas, even though I agree with you that they are the two main ones in this state.

Mr McDOUGALL—If you have this system which Rail Access Corporation is supposed to be the arbitrator for, in other words, they sell time on the track, and there is a mechanism in New South Wales run by Dr Parry—IPART—who decides when you all cannot get together and decide, how effective is IPART? Is there a direction from

government that at the end of the day, irrespective of what comes to IPART, that as far as Sydney is concerned CityRail gets priority, irrespective of the other problems?

Dr Day—I am not readily able to comment on how effective IPART is. Certainly IPART, as you would be aware, was involved with the discussions on National Rail and ultimately they were settled with the aid of IPART mediation. In that sense I think a state body can make progress. Clearly, as part of what you are alluding to, the whole problem is bigger than the state. To the extent that back to back legislation and back to back access rights are appropriate, I believe that is something this committee will have to think about very hard.

Mr McDOUGALL—Do you think IPART has enough teeth?

Dr Day—I believe that IPART is a useful state jurisdiction. If we are looking at the pathing of a train that could be running from Adelaide through to Melbourne, then, as National Rail and other people have pointed out, you have the issue of how does the Commonwealth government working with state government take a system of outdated state railways that had a purpose and turn it into what now has to be essentially an integrated long distance carrier.

Mr McDOUGALL—On that principle you just raised, we have a railway system in this nation that is predominantly owned by states and you are saying that there needs to be a Commonwealth role to be able to get over and above this problem that has existed for a long time in Australia. What is the role of the Commonwealth in relation to this question? Where is the Commonwealth's jurisdiction and responsibility? How do you believe that should be set up if we are going to get a true national land transport system?

Let me just say that we hear from rail the complaint that the Commonwealth has been putting too much money into roads. The road system, give or take some problems, fundamentally works and has got better and more efficient over the years. I think it is fair to say that rail has not. So where is the Commonwealth's role if rail is saying that our system does not work and we need something over the top to fix it? Are the states going to let that happen?

Dr Day—I cannot answer some of the questions. I can suggest, but I am essentially repeating what the other rail entities are saying, that there are some fundamental tasks that just have to be done. I am quite clear about that. I believe we have to have a single point where any operator wherever they travel can approach railways and say, 'I want to travel here.'

As our submission said in very brief terms, we have to take railways where I believe the Commonwealth government has taken road jurisdictions over the last 20 or 30 years in terms of simplifying procedures so that there is, hopefully, one very simplified set of safe working procedures which would include the train radio methods and the com-

munication methods for running trains. I think there could be huge progress there.

I believe that strong progress has to be made on a unified view of what access costs should be. I believe unified standards of rolling stock and safety accreditation are fundamental. What I do not feel qualified to say, but I am very much hoping your committee will be able to form a view on, is how best to drive that process to success. It must be done and it must be successful. The issue on which I do not feel qualified to comment is the fact that yes, correctly, the state governments, for various reasons, supported their passenger railway systems. I think it is fair to say that they are now questioning how much support they should give to interstate routes in some states, given the questions you are raising, and I think that is the nub of the problem.

The benefits tend to flow to the nation, and we are looking at interstate traffic. Under current road and rail pricing regimes and the need for freight operators to operate commercially, there is a real issue about finding the funding to properly support the freight rail system on an interstate level. I sympathise with—in fact, I am supportive of—all my freight colleagues in comments about low pricing and all those things which I know you are more aware of than I am.

Mr McDOUGALL—This question is a real change of subject. Yesterday we heard from the Australian Services Union that you were going to reduce the work force on stations by 280 people, which is around a 15 per cent loss in their work force. What is the purpose of doing that? Is it purely for profitability? What is the gain for CityRail? I presume predominantly CityRail is taking that reduction?

Dr Day—Yes.

Mr McDOUGALL—What is the major benefit for you? If you are running at such big losses and the state is already pouring money in to cover the losses, what is the real gain and benefit out of the loss of 280 people? Are there safety issues that may develop by reducing that 280?

Dr Day—I stress that it is probably true—it may just be me taking a booster view of Sydney—that the Sydney metropolitan railway is fundamental to the welfare of Sydney. We carry 50 per cent of every worker in the CBD into Sydney. The government understands that; we understand that. So, even if CityRail were commercialised, it would not do anything to destroy the success of that market. That is its market.

The fundamental things that are challenges to us at present are to provide safety to our passengers—this is terribly important because that is their single biggest concern—along with good passenger train information and cleanliness, that is, given the fact that they insist upon good on-time running. They are the fundamental challenges which any metropolitan railway has, and we have to win those.

Clearly—it is like the whole discussion we have had—we cannot win them at any price; we have to win them at an efficient price. I believe that as well. What we are looking at all the time is whether we have padding in our central offices—we do have padding in our central offices because we have split the railway industry up and State Rail is much smaller now—and, because of traditional work practices on stations and the fact that we do have very large numbers of shifts—we did not multiskill in the past as much as we should have—it is generally accepted by management within the railway that there are places where the removal of staff would not affect our ability to deliver the business. We have certainly discussed this at considerable length with our unions.

We have invested a lot of money in passenger information systems and in automatic ticketing, without taking some of the gains, but I stress we are looking at removing staff where they are not effectively contributing to the aims of the business. We are also looking at expanding the business and certainly not doing anything to reduce safety and care to our customers because that is self-defeating. If we lose those battles of confidence, we ultimately lose the ability to run a railway.

Mr WILLIS—Does that include de-manning of stations?

Dr Day—Very rarely. I say that because, of our 300 stations, we have some which are literally a 20-metre long piece of steel out near Maitland through to a station like Central or Town Hall. In general, and almost in every case here, we are looking at reducing the number of staff on stations who are not meeting front-line duties and also at multiskilling some of the ones who are on front-line duties.

There may be one or two cases where the total staffing time of the station may have been reduced by a shift. There is always the issue that you start shifts at 6 o'clock in the morning, you can close them at lunchtime, you can close them at 4 o'clock at night, you can run them through to the last train. So we look at the number of passengers involved but, generally, this is not about de-staffing stations because that loses the advantage to the customer railway.

Mr WAKELIN—Dr Day, how do you define, fund and cost the CSOs—the community service obligations—in New South Wales?

Dr Day—Let me just clarify this. It has changed somewhat because of the administrative arrangements. The CSO has always been regarded as an operating cost supplement in New South Wales. When access payments—in other words, the payment for the infrastructure—became an operating cost, that affected the structure of the CSO, as you would appreciate. So our capital requirements for stations and trains are dealt with separately; they are not part of the CSO.

The CSO is, in essence, the balancing item between our cash revenue and our full cash outlays. The actual contract seeks to specify elements of that and, in particular, the

make-up payment for concessions—that is, pensioner excursions, carriage of school children. That has always been a very clear element. Beyond that, the rest of it is essentially a make-up balance which is then shared between the various lines. Clearly, there are allocation elements in that which are difficult.

Mr WAKELIN—What is the amount of money in New South Wales, approximately?

Dr Day—I apologise. I cannot give you that figure clearly offhand, but I can get back to you.

Mr WAKELIN—What participation is there in the private sector for your two wings, if you like, of the passenger service?

Dr Day—To be involved with the passenger service, are you saying?

Mr WAKELIN—Yes. Is there private sector involvement anywhere within or across the range of operation?

Dr Day—Within the whole range of the operation, a lot of it had been in the outsourcing of engineering maintenance functions but, in the actual CityRail passenger operation, now there is very little outsourcing.

Mr WAKELIN—Not in the CountryLink either?

Dr Day—Relatively very little. The biggest one is in the heavy train maintenance—that is, the main train contract which we do for the major component change out of our trains. So that has been outsourced. The new southern railway is, of course, not part of our system at all when it comes on in 1999 or 2000. Essentially, the stations of that will be run entirely by the private sector for the first 35 years. So it is a form, if you like, of station outsourcing.

Mr WAKELIN—Just coming at the financial side again—and you will supply those figures on the cost of CSOs—do we have an all-up figure of the cost to the New South Wales taxpayer of your operation?

Dr Day—Very crudely, the whole CityRail operation costs about \$1 billion a year. The fare box revenue is about \$350 million. So the \$650 million difference is, essentially, if you like, the full support.

Mr WAKELIN—About \$650 million?

Dr Day—Yes. But I must say that, while that is a sweeping generalisation, with IPART—and in fact the committee could certainly source the IPART inquiry notes where

we have gone into great detail about all the issues involved. What makes it so difficult is how much that capital is enhancement capital, how much is access payment—those sorts of issues are the ones that blur.

Mr WAKELIN—That is probably emerging in a new system.

Dr Day—Yes.

CHAIR—If you have any data on that, could you make it available to the committee?

Dr Day—Yes, certainly. If I may, I will table some of the IPART reports which are public anyway but they do give a very good view of some of these issues. You can see what is involved.

Mr WAKELIN—I think you mentioned how expensive it is for a 15-minute passenger service shutdown. Can you just elaborate a little on that? How do you measure the cost? There is a whole range of costs. Do you measure it in terms of commerce to the city, direct drop off of revenue? How do you measure it? Is it the lack of confidence in the system? Can you give us some picture? When you made that statement, I was interested.

Dr Day—I do understand. I am certainly quite passionate in developing it. It is a new concept to some extent, but, in essence, the 1,000 people on our train in the morning are, straight away, just for that one service, paying about \$2,000 or \$3,000 to come in and \$2,000 or \$3,000 to go out. Because of the externality issues—which I know the committee is aware of, and the government's support we have just talked upon—the real value the government places in that is something like three times the cash value. So that, in itself—the number of trains we run—starts building up quite quickly to a major payment.

On top of that are the actual immediate costs of disruption—this is bussing costs, delay costs, rosters and so forth. There are some fairly substantial costs there. Then, of course, just like in any other commercial practice, you were mentioning what happens when goodwill starts fading. As we formalise our access payment more carefully by train, then it will become possible to talk immediately, as they do in Britain, about the actual costs of the disruption. That was what I was talking about, at that moment. It will be quite substantial.

Mr WAKELIN—I think we are talking in the context of allowing the freight service to come through, so there is the trade-off as well. So that is in that context of a dedicated freight line or whatever in terms of this bottleneck issue in Sydney.

Dr Day—Certainly. What I was suggesting there is, if you like, in the commercial framework you would be looking at the ability to pay off the operators on the line. I am

suggesting that in peak periods, in my opinion, the passenger operator with a full train would in fact have the ability to pay and would need to pay an extremely large amount because that is their whole business.

Mr WAKELIN—I think we are talking \$30 million to contribute to a dedicated freight line. Did I get that right?

Dr Day—Yes, that is the indicative figure for the underpass at Flemington. It is expensive in a sense, but of course it is a difficult piece of engineering.

Mr WAKELIN—But, in terms of the billion dollar industry we are in, it may not be debt related to the freight. I am just trying to understand.

Dr Day—In context—I am slightly cautious—I am suggesting that, if you look at existing use rights, if you like, the existing passenger train system copes. What we are dealing with now is growth, in a way. It is always difficult to justify expansion on the margin with a growth train. But the costs of the enhancements needed to make Sydney work more efficiently are not huge compared with the likely benefits.

Mr WAKELIN—Do you know how much freight would be—if I can word it correctly—going externally from Sydney? There are a lot of numbers thrown around about the number of containers, projecting into the future from Botany Bay and the whole freight task in Sydney. How much of the activity is external to Sydney in that which will go out of Sydney and that which will stay in Sydney?

Dr Day—I am sorry, I am not in a position to answer that.

Mr WAKELIN—That is fine. You have touched on the issue of road and rail, the excise issue and that sort of thing. We have touched on the \$650 million—or around that sort of figure—of costs to state government. Do you know what component of the whole operation, in terms of those excise issues or the level playing field argument, might be able to contribute to an improvement in that bottom line figure? Has anyone done the work on that?

Dr Day—I am sorry, is this the value of externality?

Mr WAKELIN—You have touched on costs, the inequity in the funding of road and rail, as has Mr McDougall. Excise is an issue that comes up all the time. We have a fair bit of money—\$650 million—and then we have some of those issues around what the Commonwealth may impact on, which may help that. Has anyone done that?

Dr Day—It is very difficult to measure these things and I accept that. We commissioned a report that—as I recall—estimated that in Sydney the value of the railway system in relieving road congestion and all the other effects is about \$350 million per

annum. That was our view of what the likely value of CityRail to this city is.

Mr WAKELIN—Fine. Do you have a mechanism in New South Wales which is developing this? We talk in terms of land transport task, whether it is road or rail. Do you have some developing policy which may give us some direction of the future of how we might do it better?

Dr Day—My understanding is that the government is increasingly moving into that area. As you would be aware, one of the issues is always where the roads and public transport portfolios are. In New South Wales they have now been combined. I think you will find that plus the ministry for urban infrastructure development, which was established recently, all of those things, I think, are pulling together the fact that it is all one problem.

Mr WAKELIN—The last question is on the issue of safety, and it is very important, as you touched on. Do you have much in the area of statistical evidence on the comparative safety of road-rail? Obviously you would appreciate we are getting a lot of information, but do you have something there on the safety issue of rail versus road?

Dr Day—We have a lot of statistics which is perhaps not quite the same answer in Sydney. We can certainly tell you what the fatalities per kilometre are in our system, but I would stress that the problem we all face on metropolitan railways is, unfortunately, they are often used for suicides. So trying to separate that out and get a true view is difficult.

Mr WAKELIN—I appreciate that. Just a supplementary question on that in terms of the control of signallers, and you touched on it in terms of—

Dr Day—I was just going to comment, in terms of absolute railway safety in Sydney, we actually have an automatic train protection system in place here through train stops, which does give us a very high level of passenger train protection.

Mr WAKELIN—Fine. You are well aware of national issues around signals and train controls and safety and all of that.

Dr Day—Yes.

Mr WAKELIN—You mentioned that there was significant progress being made there nationally, you felt. I do not know whether I misinterpreted you. Could you touch on that.

Dr Day—You are a little more optimistic than I am. I am saying it is absolutely essential, and I think everybody agrees that it is done and it is really pulled together strongly.

Mr WAKELIN—But the question is how, if you have two or three points on that.

How? We know it; we have to do it. There seem to be some impediments. There are those who would argue that the states are impeding, that each state has its own system and is reluctant to perhaps give way. That may be unfair, nevertheless, the Commonwealth role, that is our role, is trying to recommend how we continue to break through that. Do you have a couple of things that might help it?

Dr Day—Not readily, I am afraid, apart from suggesting that because the cultures—

Mr WAKELIN—It has to happen, though. We all know that.

Dr Day—Yes, it has to happen. Railways have an operating culture, where many of their staff have been in them for many years, as you are probably well aware. Can I just simply say it does require extremely strong leadership to drive that through.

Mr WAKELIN—Thank you, Dr Day.

Mr PETER MORRIS—Dr Day, we are over time, unfortunately, so mine will be short and sharp and fewer. Can you tell us what percentage of New South Wales rail revenue comes from interstate operations?

Dr Day—No, I am afraid I cannot.

Mr PETER MORRIS—Could you let us know? It is a fairly minor percentage.

Dr Day—It probably would be better for Rail Access, State Rail.

Mr PETER MORRIS—We will ask them. I thought you might know because of your broad overview of what is happening in the system. I asked because you are concerned that wanting the Commonwealth involved, listening to the problems you have—they are essentially metropolitan problems, the movement of freight and the metropolitan movement of passengers. You mentioned the transport corridor blockages, the choking that occurs. You understand that that also causes chokes and blockages all the way up the line to Brisbane.

Dr Day—Yes.

Mr PETER MORRIS—The slots to get into Sydney say as far north as Newcastle, there are few slots. If you miss your slot, then you might have a six hour or a seven hour wait to get the next slot in. I have heard your explanations about that. I would assume there would be a consequential improvement to the north all the way up the line if the chokes are here, the constraints are in this metropolitan area. In your broader view, has consideration been given to alternate routes altogether? If you were building those rail lines, that would be on a totally different siting, they would not be on the routes you are

on today. They would be much shorter routes and much more direct routes. In your forward planning, has consideration been given to that?

Dr Day—In a sense State Rail, as a passenger operator, we do not carry those plans as much as RAC, but in general terms there are two issues there. There is the macro issue of can you build routes that pass Sydney altogether, and I think the committee then has to consider that to provide a frequent service on these corridors—

Mr PETER MORRIS—No, I am thinking of the port of Sydney, which is the second largest container port and the constraints that apply to that and the linkages between rail and road and sea and the linkages from the hinterland into that port. You are going to get to a direct route or a new route altogether, passengers do come into it because almost monthly we hear quoted new passenger rail routes between the north and interstate passenger routes and very fast trains and not so very fast trains.

Dr Day—I believe that, given the constraints of the urban fabric, we are very lucky to have the existing routes from the ports into Enfield. I think they are a prime asset. The issue then becomes the best way of providing the freight access from the Enfield area to north and south. Essentially, as I said. I believe it is amplification of the north line and the bypass—

Mr PETER MORRIS—But you cannot get through the Cowan bank and you cannot get through the sandstone ridge at Gosford.

Dr Day—In terms of priorities, I believe—

Mr PETER MORRIS—We are talking to Rail Access. I will not hold up things now. The last thing is: given that most of your problems here are really metropolitan freight, port access, metropolitan movement of passengers, why the devil do you want the federals involved? Is it too hard for you to solve it?

Dr Day—No, I think we are pointing out that the interaction comes from interstate.

Mr PETER MORRIS—But it is a Canberra problem. What you are talking about is really only Sydney based local problems. You do not need a federal government to come in and solve Sydney problems.

Dr Day—I believe there is still the issue of the fact interstate trains are seeking to penetrate a metropolitan area.

Mr PETER MORRIS—But are they that much of your business? You have no passengers interstate. What interstate passengers are you carrying?

Dr Day—I would only comment that it is always the marginal bit of the business

that is causing the difficulty.

Mr PETER MORRIS—Oh, Dr Day, how many passengers are you carrying between Sydney and Melbourne a day?

Dr Day—Very few.

Mr PETER MORRIS—Thanks, Mr Chairman.

CHAIR—Dr Day, thank you for appearing before us today and giving evidence. It was a very interesting session, as you can hear from my colleagues. If the committee has any further questions I trust you will be prepared to make answers to those available to us in writing. The secretariat will send you a copy of today's proof of proceedings. Thanks once again for your appearance before us.

Dr Day—Thank you very much.

[9.53 a.m.]

GEHA, Mr Adam A., Executive Assistant to Deputy Managing Director, Macquarie Bank, 20 Bond Street, Sydney, New South Wales 2000

MOORE, Mr Nicholas William, Head of Project and Structured Finance, Macquarie Corporate Finance (Macquarie Bank), Level 22, 20 Bond Street, Sydney, New South Wales 2000

CHAIR—I would like to welcome the representatives of Macquarie Bank today, Mr Nicholas Moore and Mr Adam Geha. I wish to advise you—and I am sure you are aware of this—that you are not required to give evidence under oath but these proceedings carry the same weight as those of the parliament and any false or misleading evidence may be regarded as a contempt of the parliament. You have made a written submission to the inquiry. Are there any corrections or amendments before we proceed?

Mr Moore—No, I do not think so. I think we are happy with what we submitted.

CHAIR—Before we go into the questioning, would you like to make a short opening statement of about three minutes to give us a bit of an overview.

Mr Moore—Thank you for the opportunity to come here to present to you this morning. As we indicated in our proposal we put to you, Macquarie is vitally interested in rail this in this country. We are interested on a number of different levels. We are currently developing a number of rail lines here in Sydney to Bondi. We are the preferred developer on the Bondi rail. We are developing a rail line in Brisbane to the airport. We are also interested in the privatisation of the rail sectors. We were recently one of the consortium leaders on the Great Southern Rail, which purchased the AN passenger operation—that is, the *Indian Pacific*, the *Ghan* and the *Overlander*. We have great hopes that that company will go on and take on more passenger services across the country.

We have also been an adviser to a whole range of financing transactions for the rail sector. Things like the Sydney airport link that is being built at the moment. We are the adviser to the Transfield-Bouygues consortium on that. We have arranged a number of financing facilities for people like National Rail, Australian National in the past, Queensland Rail and SRA. You will see our CV in the proposal which is quite extensive in this area.

We have got a few general views as to the rail industry. I think it is all pretty obvious. We all know that the rail sector is in a pretty woeful condition in the country at the moment. When you look at any of the benchmarking studies and any of the results, they all come to one conclusion: that we are substantially below world's best practice. The corridors, the performance, the profitability—every element of it—the rail sector is in a very bad state. This is a vital sector for the country which is so large. Rail can perform

such a role and that is not happening at the moment. It is losing market share. Every way you look at it it is performing very badly.

What is the answer? We certainly believe the answer is increased competition. So we are very much in favour of the Hilmer reforms and open access. We believe that all the governments should be doing everything possible to speed the introduction of uniform, open access regimes that are transparent, clear and easy to work within. At the moment they are developing across the country. They are still at a very early stage. We are working with access regimes. It is quite hard and quite difficult; it is not a straightforward operation at all.

Competition is one thing and is a non-political statement. The real thing that we think is necessary—and the evidence is overwhelming—is privatisation. We actually need privatisation of the rail sector holus-bolus across the country. If you look at our limited experience here with AN, we had an operation there that was losing money every year. It lost over \$1½ billion. It was losing \$65 million a year, yet the Commonwealth was able to realise \$95 million on the sale of AN. People like us pay the money for the AN assets on the basis that we can actually make money from it. So we go from a position of losing money to a position of making money and a position of spending money—commitments of \$90 million in capital expenditure were made.

The rail sector can be profitable. New Zealand is a fantastic example of what privatisation can achieve. There was a very clear increase in efficiency—over 35 per cent efficiency gain in New Zealand. The UK model, again, is a great example for us to follow. The contributions of the government are falling from £1.8 billion to £600 million over the course of the concessions—so a £1.2 billion savings over the course of the concessions that have been lead.

It seems to us that the lessons from overseas and even the lessons within this country are so very clear. We should be accelerating the move down the privatisation path. Competition, open access, is one thing and it is good that that is happening—and that should be accelerated—but privatisation really is what needs to be happening now. If our rail sector is going to be profitable, that is what we would have to be about. Clearly, the Commonwealth government needs to be congratulated for the steps taken to date on AN and the steps that are going to be taking place on National Rail.

The Victorian government is going down the track rapidly this year. We are going to see the privatisation of the remainder of the rail sector in Victoria. But, obviously, we need to have it take place here in New South Wales and Queensland, which are the two biggest rail markets in the country. Western Australia also seems to be on track to be heading in a similar direction.

So we are very happy with the direction the whole industry is going in. It is overdue I would say. If anything, we should be accelerating the direction rather than

holding it up. So that is the three-minute introduction.

CHAIR—Thank you, Mr Moore.

Mr WILLIS—If I could ask you a few questions just to clarify some aspects of the submission. First of all I think this is a very detailed and informative submission. I would like to thank you very much for it, while I think some aspects of it will be somewhat controversial.

On page 7 of the submission you are talking about investment by the government and you talk about the \$2.3 billion for roads against no funds for rail in the 1997-98 budget. You then go on to talk about the government committing the \$255 million on improving and upgrading track main lines over the next four years. That was because it was in a previous budget, was it? I have not gone back and checked for myself.

Mr Geha—I think that is right. It has been a while since I wrote that report. I got all of those figures from the Australasian Railway Association.

Mr WILLIS—On page 33, where you are talking about the National Track Authority, you point out that it is critical to fostering a competitive rail industry that track access charges are simple, affordable and transparently set. You say in the second dot point on page 33 that the National Track Authority should ensure that track access charges are calculated on a 'logical operating cost recovery basis'. Why—and I am not sure what you mean by the word 'logical'—should it be on an operating cost recovery basis only? Should the access charges be covering only recovery operating costs or should they be looking at some capital cost recovery as well?

Mr Moore—Practically where we are there is no alternative than to look at marginal cost only. Practically, the cost of building the rail network has been sunk, they have been spent, often over 100 years ago and, sadly, little has been spent since then. Marginal cost recovery is the most that can be hoped for in terms of what is recoverable from the track usage.

Also that will obviously allow greater competition to take place as new entrants come in as a new service is being operated. If the track is already there and we are trying to encourage use, then marginal costing is the logical way to go to encourage competition. The model is obviously not too far from the model in the telecommunications industry. When Optus first entered the market, it was granted access to the Telecom network at effectively marginal cost. So that seems to be a logical model when you are trying to move from limited services and expand the services by allowing new entrants into the market to provide services.

Mr WILLIS—You are also arguing for a massive investment in additional track?

Mr Moore—That is right.

Mr WILLIS—If that is going to happen, presumably that has to be financed somehow or other. You suggest a way in which the Commonwealth might finance it. If it were going to be a sort of commercial operation, one would expect it would be the operators who would finance it and, therefore, there ought to be some sort of capital element in the cost recovery.

Mr Moore—That is right. I think we would be saying for existing track we are looking at cost recovery. For new track, for new expansion, that new capital should be recovered from the new services being provided and it should be assessed on that basis. The slight problem, though, is we are looking at severely depreciated track often. The track we are looking at does need a lot of money being spent on it just to bring it up to any decent standard to start off with.

Mr WILLIS—Sure. I just wanted to know the rationale for that there. On page 34 you talk about the new infrastructure borrowing tax rebate. You say in the second dot point that the five-year limit is arbitrary and penalises major infrastructure projects which may have a construction period of three to four years. Maybe I am not understanding exactly how the new system works properly, but I cannot see why that is a penalty. The interest payments are there from presumably the time the funds are borrowed so the financier who gets the tax rebate is getting the interest and, therefore, the rebate from year one whether it takes one year to build the project or four. Why is it, therefore, a problem for long-term construction projects?

Mr Moore—I think the point is—and this is the point we have made in previous submissions on infrastructure bonds—that these projects will be in tax loss for a very long period of time. They will be in tax loss for a period of 10 years or 12 years—a very long period of time, indeed—and the construction period just accentuates that. So the losses that are accruing in the developer's hands for which you can get no value is much longer than the five-year window that has been set out.

We are saying that five years is arbitrary. Why make it five years? Why isn't it to the extent that the project has losses that it can sell, effectively, to the lender and into the project? We did not see why it is five years. It is kind of like you should either have it or you should not have it.

The whole scheme in our view is very restrictive. Obviously, there are political pressures that drove it to be restrictive, but why? I think the old I-bonds were 15 years—I cannot remember whether they were 15 or 10 years—much more reflected what real life really is. A five-year period of loss just is not what happens in this sort of project.

CHAIR—Do you think that will attract more investors?

Mr Moore—I do not think it will attract more investors. There is no shortage of investors in the infrastructure industry in Australia; it is all a question of price. There are investors there who will put money into transactions if they are going to provide a return—and we are not talking about a super return here, we are talking about a return that is higher than a government bond but lower than the normal equity market. So there is equity there; it would be attracted to it.

The key thing with trying to make these projects more efficient by moving the tax losses from the project to the investors—which is not all that crazy a thing to do—is trying to reduce the cost of capital that goes into the project, so increasing the scope or the affordability of the project. A lot of projects, given the losses that are trapped in the project vehicle, will not be economic.

What infrastructure bonds and this new rebate are designed to do is move those losses from being trapped in the box into the hand of the investors, which increases the investors return on their investment in the project. It is not a question of: will it attract new people? There is no shortage of people who want to invest in this stuff. The question is: what is the price?

Mr WILLIS—One more question of clarification: on pages 35 and 36, you talk about a sort of financing arrangement to get a lot more funds into rail. You mention \$3½ billion for maintenance of the expanded rail network. Is this a figure just to maintain over the next 20 years the proposed expansion of the rail infrastructure of about the same amount?

Mr Geha—I think it is for the total, including the upgrade.

Mr WILLIS—Of the whole system?

Mr Geha—That is right.

Mr WILLIS—Why is it a federal government responsibility to pay for the maintenance of the system?

Mr Geha—As I understand it, that is for federal track, interstate.

Mr WILLIS—For the track that the National Rail Authority operates on?

Mr Geha—Yes, that is the way I understand it.

Mr WILLIS—It does not seem to me, I must say, to be a federal government responsibility to pay for maintenance. One can see that they might want to put some funds into expansion of the system. But one would have thought that maintenance would be paid for by those operating the system.

Mr Geha—I think that is always an option—and it is a matter of economic feasibility, as Nicholas was mentioning earlier.

Mr Moore—Yes, I think it comes back to this question of the fuel excise. The big issue, as you know, with the rail industry is that they are paying the fuel excise and it is going to the road industry; whereas, if just what the rail industry gets paid could be diverted to their own track, it would actually provide this maintenance. I agree with you: there is no sort of reason to say that it is a Commonwealth responsibility or any other responsibility. But, if the system is to run, it does need the money for maintenance. To be taxing it as the Commonwealth is taxing it at the moment: is that a logical thing to do?

Mr WILLIS—But you suggest that we not only not tax it, that we put that money into the rail system—

Mr Moore—That would be ideal of course.

Mr HOLLIS—That is why there is no shortage of investors.

Mr Moore—I agree with that; there is no shortage of investors, subject to return.

Mr HOLLIS—Yes, subject to that.

CHAIR—You are saying that \$1.2 billion is a catch up. Is that what you are saying, effectively?

Mr Moore—I think all this expenditure is expressed in terms of a catch up—that is, looking at the state of the track and trying to bring it to world's best practice, and saying that it is far below it and this is the sort of money that needs to be spent to bring it up to world's best practice.

Mr WILLIS—You make the point that, in New Zealand, a key element has been the changing of the charging regime for heavy trucks in making the rail system a much more productive operation and moving to mass distance charges. Do you have any idea how politically controversial that process was in New Zealand? Was that something that was easily done, or was that something that was a political difficulty of some order?

Mr Moore—We can come back on that. My understanding is that it was surprisingly easy, though it does not make sense. In other words, I cannot understand why it should be easy, but it seems to have happened without too much difficulty. But we can come back and provide information on that.

Mr WILLIS—One would assume that, if this were proposed in Australia, there would be one hell of a reaction from the road transport industry. I am not suggesting that it is not appropriate, but to change a charging regime in that way is not a simple thing to

do.

Mr Moore—I guess that our general position on it—and this is also the position that New Zealand is moving towards; New Zealand is quite advanced in all the thinking on this issue—is to have uniform road pricing. In the submission we made to the previous committee on roads, we suggested that a uniform road pricing regime is appropriate and that moneys raised by that should be ploughed back into the transport system.

I would say it is inevitable in Australia that we will be looking at uniform road pricing at some stage—whether in 20 years time or five years time, I am not sure. But certainly the technologies are rapidly becoming available and the models are being put in place overseas. New Zealand, you probably have seen, is looking at a global satellite positioning system where every car will have a global satellite positioning system, which will download and they will be charged based upon where they have driven and what they have done. It sounds all out in the clouds.

But one thing is certainly true—and there are a lot of privacy issues relating to it: there are a number of European city scattered agencies where there is road pricing in place around the core of the city. With electronic tolling that we are seeing in Melbourne, such as TranzUrban, it is very easy to see that we will have electronic tolling—certainly in Sydney. We will be seeing it in Sydney within the next three years; it will be in Melbourne in the next two years.

The question for government and political will is how far that electronic road pricing will be extended across the system. Inevitably, one would guess, as the system expands, it will expand, and it will just become a way of gaining revenue. It has the benefit over fuel tax in that you can actually tax people when they want to use the commodity that is scarcest. So you obviously charge people highest at key peak hours, and you do not charge them off peak. You can bring in the whole congestion pricing regimes and provide the road service on a much more efficient basis.

Mr WILLIS—Just to follow that point up: do you see the change to mass distance charging for heavy trucks as being a key and crucial element of rail reform in this country—making the rail system productive and efficient?

Mr Moore—The term used is ‘competitive neutrality’. However that is obtained, I am not sure. It is a political call, how best to do it; whether you charge the trucks or pay the trains, I am not sure how you do it. But at the moment, the trucks obviously are getting a good deal on intercity freight. They are getting fantastic roads provided with Commonwealth money, which they access at a very low cost; whereas rail is paying taxes to use worn out old tracks. So at the moment, it would appear that there is not competitive neutrality. How best to go about moving from the position we have to the position we will need to have is very much a political call.

Mr WILLIS—The only alternative is for the Commonwealth to put up \$7 billion.

Mr Moore—Or close down the rail system. Closing down the rail system, particularly on the interstate basis, is increasingly likely. The big question is whether the Brisbane-Sydney link will be viable if it continues as it is, particularly with the upgrade of the Pacific Highway; and the Sydney-Melbourne link. I think we seriously have to consider that that industry will not be there in 10 years time, unless something is done about it.

Mr WAKELIN—Do you know how much money is paid by state governments into the rail systems of Australia?

Mr Moore—I was asking my colleague Mr Geha on the way up here.

Mr Geha—I tried very hard to obtain that information because I thought it was very relevant, but I found it almost impossible to obtain—well, not almost impossible; I failed to obtain it.

Mr WAKELIN—We have heard rough figures on New South Wales: \$650 million per annum. Would you agree with that?

Mr Moore—The answer is: I do not know. It is a lot.

Mr WAKELIN—I am just wondering whether you are a bit optimistic about the excise issue. I can understand you going from city to city. But in terms of the overall rail industry, you have used \$85 million as a component in one part of your argument, and \$160 million as part of your \$3 billion argument. I just wonder whether \$85 million or \$160 million is a bit optimistic. We hear the excise one, as you would well know, regularly; that is probably around the tax issues generally and those sorts of things. I just wonder whether you would like to comment on whether you think it is realistic?

Mr Moore—I think, as I have mentioned, the realistic option is privatisation. I think the amount that is spent in the rail sector would fall dramatically from the states, if you looked at privatising the existing services. I think the model in the UK gives us a pretty clear example, as do the models in New Zealand and the model of AN. Just going through the facts again on AN, which is one of the things that we do know has happened in this country, the Commonwealth was losing \$65 million a year, and someone has been crazy enough to pay \$95 million on the basis that they are going to make money. Maybe they are crazy, but—

Mr WAKELIN—But everyone wishes them well.

Mr Moore—Everyone wishes them well. That is right. So the bigger answer on the question of all this money is not a question of federal-state finances. I do not think

that is the big issue. The big issue is actually saying, 'Let's see if we can operate them as efficiently as we can, and then let's see what the position is.'

Mr WAKELIN—Thank you. That is what I was trying to get to. Only competition generates innovation, but I just think sometimes the excise issue, whilst important, may detract from this overall efficiency issue.

Mr Moore—That is right.

Mr WAKELIN—Can I come quickly to the political issue. On page 27 of your submission, you have used the words 'pork-barrelling' and 'politically driven', and you said that the construction costs are lumpy. They are pretty interesting comments. I would suggest that that is moving along a little bit in the last decade. Can I say to you that there are always, I guess, those sorts of issues around.

Mr Moore—I think we have a second airport in Sydney that might actually question that.

Mr WAKELIN—What I want to try to ascertain from you is that, in terms of your view, if you have a stronger private sector involvement, obviously it seems to me that a lot of these allegations, rightly or wrongly, will tend to diminish. Not only will you get a more efficient rail industry, we trust, but we might even help our state friends in terms of those bottom line figures, which are pretty high. I am just trying to get a feel for the political decision making of the rail industry—in other words, the rigour—and you would say I presume, and I appreciate your comments, that the private sector will try to reduce some of the pressure on governments to make political decisions. Is that what you are saying?

Mr Moore—Yes, that is exactly right. Also, hopefully it will give the politicians a lot easier basis to be making decisions. As we know, there are very large CSOs being paid at the moment to the state transits for suburban travel. Part of the reason is the unrealistic ticket price levels we have, particularly here in Sydney. To the extent obviously that someone else is providing the service, one would guess it gives a lot more strength for the politicians to step back and let independent pricing tribunals actually allow a proper cost recovery from the users. That is perhaps being hopeful, not just in the investment decisions but also in the ongoing running decisions. Moving the political process away from the day-to-day operations can only be beneficial.

Mr WAKELIN—The last question is related to the \$3 billion track upgrade presentation at page 35. It may be in the report, and I just have not picked it up. Sydney-Melbourne, Sydney-Brisbane—and you have allocated some suggested pricing there—

Mr Geha—That was mentioned by the report. That is not a Macquarie view. That is a BTCE view.

Mr WAKELIN—Fine. I presume that is on the current railway track, on the permanent way, as it exists. Do we know that?

Mr Geha—I think that includes the upgrades.

Mr WAKELIN—Yes, I know but it is actually on the same line, is it?

Mr Moore—Yes, the same line. It is not looking at the inland route or anything like that.

Mr WAKELIN—My understanding is that that Melbourne-Brisbane link via Sydney—and you have heard the issues around Sydney itself—is very poor.

Mr Moore—That is right.

Mr WAKELIN—We are hearing it is based on that 100 years of history or whatever through a lot of the Great Divide. Is it enough, basically?

Mr Moore—The money we have listed here?

Mr WAKELIN—The \$1 billion each. Is it enough money?

Mr Moore—The answer is: we really do not know that. That is very much an engineering question, but they are the sorts of numbers that are bandied around frequently. You could spend \$1 billion on each leg and you could spend another \$1 billion fixing up the problems within Sydney in the freight system.

CHAIR—Of course we make the point that, if we do not do this, we are going to be spending an extra \$1 billion here on maintenance anyhow.

Mr Moore—That is right. If you will, I truly think that the alternative is going to be the whole system closes down in 10 years time. It will become irrelevant.

CHAIR—You cannot be propping up an inefficient system by a billion dollars a year to achieve nothing at the end of 10 years.

Mr Moore—That is right. I know it is an obvious point that you are familiar with, but so often we experience, when we look at organisations that were in the government sector and have come into the private sector, that a lot of the expenditure being made is on maintenance that could be remedied with capital expenditure being spent up front. It is always easy in the budgetary process to be spending money on ongoing maintenance, whereas a little bit of capital up front would have solved a lot of the problems. So there is a natural imbalance that often seems to get thrown up in these things.

Mr WAKELIN—Do you think the Sydney blockages, if you like, are considered in this report sufficiently?

Mr Moore—No, I do not think so. I think we have tried to say, as we can as financiers, that we really do not understand the details but we understand that the money is not coming through the way it is currently structured. So capital needs to be spent. What we can then do is say, ‘If the money is spent, what will the return be?’ But the issue of whether the money is \$1 billion, or \$2 billion or \$3 billion is really for others.

Mr Geha—All of those figures come from BTCE and that report is dated 1995. So probably those figures now need to be inflated somewhat. None of the figures in the report is actually independently verified by us; I have simply obtained them from external sources.

Mr HOLLIS—You have painted a fairly gloomy picture of rail—past, present and future. An issue that was made very strongly yesterday and has been made to the committee is about the favouritism of road over rail. If that had been redressed and rail had got what was regarded as their adequate take, do you think the position would be as it is? The assumption is that it would have gone to what you are saying it should have gone to, or given your gloomy prediction of rail, would the money have been, if you like, wasted or inappropriately spent, leaving us in the same position that we are in now?

Mr Moore—My guess is that probably we would not be a helluva lot better off. I think the model that we are trying to operate the rail system in is inevitably going to fail.

Mr HOLLIS—In an aside to, I think, Mr Wakelin, you talked about the Pacific Highway and the rail there between, say, Sydney and Brisbane—the upgrade there; that that would again put on extra cost. I know we are living in a period of economic rationalism, but if we have more traffic on the Pacific Highway, especially heavy freight traffic, as inevitably we will, what about the increased accidents we will have there? Isn’t there a social cost that people never look at by putting more stuff onto rail?

Mr Moore—I agree. That is what we have argued here. The externalities associated with rail are so favourable in terms of greenhouse issues and obvious things like that, but also in relation to accidents. It is not being priced in at the moment. We talk about this issue of competitive neutrality. What mechanism do we need to reflect that? It will be up to the government. At the moment it seems to be left in annual payments out of consolidated revenue and budgetary payments which are made having regard to all these factors. To put a more scientific model around the expenditure, around the benefits, would be very appropriate, in our view.

Mr HOLLIS—Have any studies been done on that? I know that in London, when they were putting in the new Victoria line some years ago, they argued that on pure revenue that might never pay. But looking at all the externalities—taking the traffic off the

road and various other things—an economic study was done showing that the Victoria line would be, in those terms, profitable. Do you know of any studies at all that have been done in Australia that have looked at these issues?

Mr Moore—No, I do not know about specific ones. I think generally our view is that, when someone looks at a road, all the externalities get taken into account. But when people look at rail projects, because they are being looked at in a different sort of way, the externalities seldom get taken into account and it comes very much down to what the return is and what the loss is. That is our general feeling. Adam, I do not know whether you have seen any reports—

Mr Geha—It is notoriously difficult to actually value externalities and a lot of people prefer to avoid it. But if you look on page 14, for example—you mentioned accidents and fatalities and so on—on the total cost of Australian transport accidents by mode, we have got figures on total road and rail only. Based on the fact that 8½ percent of the accidents involve trucks, just using a pro rata of the total road estimate, I estimate that we are spending \$521 million on truck accidents a year; rail is taking only \$69 million. They are performing roughly the same freight task. That is a classic case of an externality where rail definitely enjoys an advantage and I am not sure that is being reflected in its treatment.

Mr HOLLIS—I would hope that I am not a member of parliament when we have to persuade the truckies or the trucking companies, because we have had a couple of little skirmishes in the past and, believe you me, they do beat us politicians around the head. Although I may be sympathetic to what you are saying, we are the people who have got to actually explain it to the truckies who are parading outside our office.

Mr Moore—An interesting thing about that is that trucks do pay greater fares at the moment on the tollways in Sydney and will pay it in Melbourne. If everybody is paying a toll, trucks do not seem to object that they pay more than everybody else. We put forward proposals for the Pacific Highway upgrade where we would have it being tolled, and obviously with a higher toll for heavier vehicles than for light vehicles, and a judgment was made that tolling the Pacific Highway would be controversial and the government of the day decided not to go down that path.

Mr PETER MORRIS—I do not think that is correct. There is not enough people using the highway to make it a worthwhile investment.

Mr Moore—That is certainly what has been said, but we actually did the numbers and did the analysis, and we actually put on the table underwritten proposals to do it.

Mr PETER MORRIS—It is not an investment.

Mr Moore—Sorry, I am saying that we actually gave the government an under-

written proposal to do the upgrades that was bankable and fundable. I know that is what the government said, but from the Macquarie viewpoint, that was actually provided at the time, two years ago I think, when the upgrade was being considered.

Mr HOLLIS—My final one is off that; it is on the investment in the Great Southern Railways.

Mr Moore—The *Indian Pacific* and the *Ghan*.

Mr HOLLIS—This has been a hobby horse of mine for years and years that those trains were never promoted. I take it, obviously, that you are very much looking for the overseas tourist market. I remember some years ago I went on the *Blue Train* from Cape Town to Johannesburg and it amazed me there—and I could never understand why they were not promoted here—that that train was promoted in international magazines as a luxury trip. The cost of going on the train from Cape Town to Johannesburg is more than double the first-class air cost and you had to book two months ahead. When you got on it, the train was 12 years out of date. It had nothing on even the condition of the *Indian Pacific* as it was then. It always amazed me, and I thought there was great potential there, correctly promoted, that trains like that, as a unique tourist experience, can sell and can sell internationally.

Mr Moore—That is certainly a hope. It is a separate topic, but we see, in particular, the *Ghan* service as being one that can be upgraded substantially. Prior to us buying it, there was one *Ghan* service operating each week out of Adelaide. Our plan is to double that. We have already doubled it from Adelaide and we want to bring it from Melbourne and from Sydney as well because that really is quite an exciting trip in itself. That service will be being expanded. A new marketing department has been set up and it has actually co-located with the Australian Tourist Commission here in William Street, Sydney, to focus on the in-bound tourist operators. At the moment, I think 20 per cent of our passengers that we pick up are tourists; we hope to pick up more than that. Like you, we are believers that it is a service that will increase, but we will be proven right or wrong in the next couple of years.

Mr McARTHUR—I have three issues. One is the \$3 billion upgrade. If you are suggesting that in the context, there are \$6 billion put into road funding and about \$200 to \$300 million put into rail networks around Australia currently, how are you going to change the community attitude by private or public sector? The second issue is this access argument. We have had evidence before the committee by Mr Burkhardt, who is saying that he will only buy a railroad that has total control of the track, and he does not agree with the access argument. My third comment follows Mr Hollis: why is the *Ghan* operation suddenly profitable under your arrangement? You might add a bit, apart from extra tourists.

Mr Moore—Starting with that last one first, because it is hopefully the easiest, the

services that we operate today are not profitable yet. We basically break even, but breaking even is doing better than we were. We were actually losing money on the services. They will continue to break even for a while because we will have to expand the service and have it running before people will book to use it. The reason for this is that we have assumed, as we have mentioned, an increase in productivity of over 25 per cent. So our cost structure is much lower than it was under AN, basically.

Mr McARTHUR—So you have really brought some productivity improvements into the whole operation?

Mr Moore—That is right, much greater efficiency in terms of how we crew the trains. Obviously the culture we are attempting to change is from one of moving people from point to point, which is what it is at the moment—trying to get people from one side of the country to the other—to actually making it a tourist event. This means of course you are focusing on different sorts of skills in the staff, making them much more service-orientated, with a view to being more ambitious in terms of revenue, rather than the approach of Australian National which was in the process of cutting back services. All our projections—if they are going to come home—are based upon increasing services on the basis that if we provide the services then the people will come.

Mr Geha—That is, hopefully, more intelligent marketing of the product. I think that is the key point to private ownership.

Mr Moore—Sorry, the second question was—

Mr McARTHUR—In relation to vertical integration versus access.

Mr Moore—It is always nice to get a monopoly. Self-evidently, monopolies are nice but they are not essential. Systems run—

Mr McARTHUR—You are prepared to put your money up in an access region where nobody will give you an answer on how much it will cost you, whether you will get access, whether you will be excluded or whether you can be profitable—

Mr Moore—That is a separate issue. What we are saying on access, quite clearly, is that we need to have clear, transparent rules. All this going into a dark room—it is all secret, and we are going to argue commercially as to what the right price will be, and we will renegotiate every couple of years—is to us, crazy. You have to have clear, transparent access, almost like the AN track access people used to have—

Mr McARTHUR—Do you see that scenario emerging?

Mr Moore—I think it has to.

Mr McARTHUR—No. Do you see it emerging?

Mr Moore—Currently where we are, obviously, people are going down different paths. But I think it has to move to this transparency. That is the way markets have to operate. It is anti-competitive to do it any other way, to have different prices—

Mr McARTHUR—I wish you well. It is not as clear as that in my understanding.

Mr Moore—It is certainly not clear at the moment. In New South Wales and Queensland, where we are negotiating access at the moment, it is all secret. ‘We have got our computer model, we cannot show you how we are coming up with these prices.’ That is what we have to deal with. But I would say, hopefully, if we are going to move down the right path we have to move into a transparent regime. We do have, fortunately, in the country quite a few regulatory models that grant people access to pipelines and to telecommunications systems. These are becoming more understood and the principles are understood. If we can apply those principles to track, which is not too crazy, I think people will be relatively relaxed.

Mr McARTHUR—The \$3 billion capital investment in a climate where \$200 million is put into the system and \$6 billion is put into roads: how are you going to change that whole attitude and scenario in Australian political and commercial life?

Mr Moore—That is a very good question. We would like to hand over to you at this stage and say, ‘This is where you need leadership and political will.’

Mr Geha—But I should point out the \$3 billion figure is over the next 20 years; it is not a per annum figure.

Mr McARTHUR—I know that. But you have got to change the whole attitude that this committee is dealing with.

Mr Moore—I think we have to recognise, and maybe it helps you recognise, what the outcome is of what we are doing at the moment. The outcome is that we will not have an interstate freight system, except perhaps on the east-west link. The consequences will be—

Mr McARTHUR—You would argue that the system will totally collapse unless there is an injection of capital? That would be your position?

Mr Moore—No, I would not say totally; but if you look at who is moving the freight, the direction is very clear. The rail share of the market is going like that.

Mr McARTHUR—Comments made to me in recent days suggest that the rail system will totally collapse, because the infrastructure just will not handle the loads.

Mr Moore—Obviously a bit of chewing gum here and there holds things together for a surprisingly long period of time. So I do not know if it is total collapse we are talking about, but the direction I think is pretty clear. It is not sustainable.

Mr McDOUGALL—Are we looking at a national rail and a national land transport network, or are we looking at, in the private sector's eyes through investment, simply picking off what is beneficial in the rail system and allowing a national road system to take over the remainder?

Mr Moore—No, I think the question is: is there a role for government in all this? I think the answer is clearly yes, and the role for government is competitive neutrality. You need to price in all features. There is no point in having a rail sector simply for the sake of having a rail sector. You have to ask, 'Why is rail good over road?', and it comes down to this externality issue as well as basic efficiency issues. 'Give rail a chance, No. 1' is what we would say, 'by privatising it. Give it a chance, No. 1, to be efficient, to be at world's best practice and then address the competitive neutrality issues.' The competitive neutrality issues will hopefully price in all these externalities we have been talking about. So I do not necessarily see that you would end up with a few privately operated services, as we have at the moment, for example, in the cane fields in Queensland and in the Pilbara and areas like that—with rail gone on the rest of the country. If we can achieve competitive neutrality and get an efficient rail system, the rest will look after itself. There is a role for the government in achieving those first two important points.

Mr McDOUGALL—Are you saying then that the state governments have proven they cannot do it because—

Mr Moore—Yes, I think so.

Mr McDOUGALL—Because they all run their own little shop and they do not want to work together?

Mr Moore—It is just not cooperation I think.

Mr McDOUGALL—What is the role of the Commonwealth?

Mr Moore—What is the role of the Commonwealth from a federal-state viewpoint?

Mr McDOUGALL—Yes, both administratively and financially. What is the role?

Mr Moore—Is this the constitutional question you are asking me?

Mr McDOUGALL—No.

Mr PETER MORRIS—No, why do you want them there?

Mr McDOUGALL—Why have we got to be there to fix this problem? Why can't the states and the private sector fix it between themselves?

Mr Moore—I think the Commonwealth in the past has shown leadership in fixing these sorts of problems and hopefully can again.

Mr McDOUGALL—This is the final question. Do you know how much freight you are going to take off the interstate road network and put on an interstate rail network Other than through competitive neutrality, how are you going to actually do it?

Mr Geha—I think you have to remember that road has been doing that now for 20 years. It has been taking off business from rail, putting it on road. And really what we are doing is restoring the equilibrium.

Mr McDOUGALL—But you are not telling me how you are going to do it.

Mr Moore—What we would say is, 'Let us see if we can get a decent rail system to start off with.' You are not going to have a decent rail system whilst they are owned by the various states. Let us see if we can get a decent rail system that is operating at something like world's best practice. If we do that, perhaps we will be starting down the path of actually winning back the volume from the trucks.

Mr McDOUGALL—On that basis then, what you would suggest is get rid of the New South Wales Rail Access Corporation and make a national rail access corporation.

Mr Moore—Definitely. National rail access where we have transparent prices has to be a fantastic step forward.

Mr PETER MORRIS—Given that your submission says that rail has a natural advantage in the cargo that it carries—

Mr Moore—In some of the cargoes it carries—basic commodities—

Mr PETER MORRIS—That is the basic thing. That is what you are stating in your submission. And given the research you have done into this market, what specific cargoes do you see being most likely being attracted from road to rail if you have the change in environment you are talking about?

Mr Moore—Gosh, that is very specific.

Mr PETER MORRIS—You would have done this because you would have researched all of that. You would not be putting up these proposals without doing that.

Mr Geha—We have not done the research ourselves.

Mr PETER MORRIS—You are just crossing your heart and hoping that if you spend the money on the infrastructure the rest of it will follow. Is that what you are saying?

Mr Geha—Not at all. If you would like to us to provide information it would be a very simple task for me to do that. All the reports are there. I would simply extract or refer you to the various relevant parts. We are not rail engineers.

Mr PETER MORRIS—It is nothing to do with engineering. If you are looking at the market, you ask which products currently being transported by road would be most easily won across to another form of transport if there was definite infrastructure. I am talking about interstate obviously. I will not hold up proceedings. You do not have an answer to that. Given that most of the freight task is intrastate and metropolitan—it is short-haul stuff; as your submission and the figures you have quoted show, the average journey is about 90 kilometres—is that the market you are looking for for rail, or are you confining all your remarks in this submission just to interstate?

Mr Moore—In terms of the short freight tasks there is obviously the minerals.

Mr PETER MORRIS—Massive freight movement is short-haul stuff.

Mr Moore—That is right, but it is coal in New South Wales and Queensland, and iron ore in Western Australia.

Mr PETER MORRIS—Not in Sydney. This is the biggest freight market in the country here where we are sitting. Are you going to get that on to rail, or are you just talking about interstate and picking the eyes out of the coal transport?

Mr Moore—I am not sure on the tonnes, but I thought coal and iron ore were by far the largest tonnes per kilometre but we can come back with that.

Mr PETER MORRIS—I do not want to hold up the proceedings, but I am just trying to get you down to what specifically you are talking about. You are generalising about rail freight and you are generalising about freight. What about intrastate and metropolitan? The big numbers in road freight movements come from intrastate movements and metropolitan movements, but your remarks in your submission seem to be directed towards interstate.

Mr Geha—I think it is fair to say that most of the remarks in the report are directed to interstate. I would agree with that.

CHAIR—The Deputy Chairman makes a very good point. Have we looked at the

efficiencies within various sectors of freight?

Mr Moore—We have not, but the industry studies have all looked at that. They have looked at the coal industries.

CHAIR—Did you say that you would be able to extract that for us?

Mr Moore—Of course, they have got that.

CHAIR—On that point, I might wind up the questioning and thank you both for your evidence. It was most stimulating. I would like to echo what Mr Willis said: this was a very good submission. You also undertook to give us an overview of the New Zealand freight?

Mr Geha—Yes, we will come back with that.

CHAIR—If you could also give us information on this last matter we talked about so we can segment some of those efficiencies. I trust you will be able to give us those in writing. As soon as a *Proof Hansard* is available of today's proceedings, the secretariat will let you have a copy. I thank you very much again.

Mr Moore—Thank you.

Proceedings suspended from 10.42 a.m. to 10.54 a.m.

TRONSON, Dr Kim, Managing Director, Rio Tinto Coal (NSW) Pty Ltd, PO Box 315, Singleton, New South Wales 2330

CHAIR—Welcome. I point out to you that you are not under oath but these proceedings carry the same weight as those of the parliament and, as such, warrant the respect accorded to the parliament. Any false or misleading evidence is a serious matter and would be regarded as a contempt of the parliament. I trust you understand that. Do you wish to make any alterations or additions to your submission?

Dr Tronson—No. It stands.

CHAIR—Would you like to make a brief opening statement?

Dr Tronson—Thank you for the opportunity to appear today and for the acceptance of the submission that we made. I suppose that in many senses your inquiry reflects a national interest, and I am sitting here today reflecting one that is in some way a state issue. However, the coal industry is, I believe, of such national significance that it warrants an appreciation by you of the issues that impact on us in terms of transport. Certainly in New South Wales one of the major rail tasks is the movement of coal, as it is in Queensland also.

Just prior to coming to this meeting I had a visit from a trading house in Japan who was advising us of the implications of the recent environmental conference at Kyoto and the implications that will have for Japan's coal consumption. It was a very salutary reminder that the coal industry is going to continue to be a very competitive environment.

The Japanese have committed to a 6 per cent reduction in CO₂ over a period. They are then attempting as a nation to identify how they will achieve that reduction. The moral of the story is that coal is where a lot of that reduction is expected to come from. They are asking their power sector to minimise the use of coal and to use an alternative, which ultimately means gas.

The implications for us as a sector is that there will continue to be downward price pressure on the commodity that we sell. To maintain our industry we need, therefore, to control the costs in all elements of our business, whether it be mining the coal at the mine, transporting it or loading it onto a vessel. It is in that regard that I suppose I am interested in ensuring that our rail system works as effectively as possible.

I believe that, while we have begun to move rates down over time, there is still significant opportunities to do that further. I still believe there is something like \$2 a tonne charge excess in our total rates. Two dollars a tonne is obviously something that is of value to the industry in maintaining a competitive position in the world market.

CHAIR—In your submission you draw attention to the fact that Rio Tinto has

been overcharged by some 30 to 40 per cent, at a cost of \$77 million a year.

Dr Tronson—That was the New South Wales coal industry as a total.

CHAIR—I see your point. Would you like to comment from your company's point of view on how this affects you, what your views are about the New South Wales rail access regime and the fact that FreightCorp remains the sole licensee? Could you give us an overview of where your company stands on those matters?

Dr Tronson—I am particularly interested in ensuring that there is an opportunity for a second or a third rail operator or reasonably straightforward access for a train operator to enter the market. At this stage, no operator has been accredited. While parties have shown interests, the process is not well defined. There has certainly been less than full encouragement from RAC in that process.

I suppose the pricing issue of RAC is of critical interest to us. We have been keen that the network be declared, and that was recommended by the NCC. In fact, the New South Wales Premier has not declared the line, preferring instead to use IPART—the Independent Pricing and Regulatory Tribunal—as the arbiter in any dispute between an operator and RAC.

There is substantial uncertainty with the pricing mechanisms talked about by RAC in using a concept known as the Ramsay pricing mechanism rather than more fully allocated cost models. I am concerned also about investment decisions being made by RAC with the pricing model that they intend to use. For example, there has been a decision made to build a spur line to service two particular mines in the valley, and that has a total expenditure of the order of \$80 million. The question is: is that money the best investment for the industry in the valley and who then pays for that investment? Is it paid for by all users, which is what happens in a Ramsay pricing model, or is it the people who use that spur line?

I am concerned that RAC is in fact a monopoly provider. The figure of \$77 million in our submission reflects two elements: one is a monopoly pricing component, which has been recognised by the industry and government. There is a phase-out program to the year 2000 to have that monopoly charge come down to zero. In the longer term, however, I am more concerned about the other element that occurs with all natural monopolies, that is, the inefficiencies involved and the comparison with what might be described as world best practice; how far RAC are from achieving that; and what steps they are taking to achieve it.

Another concern with RAC is cross-subsidies between the coal industry and the rest of the state system. Their annual report implies that there are significant cross subsidies from the coal sector to the remaining network. They have also indicated that coal is the only profitable sector they have and they have made a profit of \$48 million. In

fact, the estimate is that their profit should be at least their monopoly profit figure, which is in excess of \$29 million—I will have to confirm that number. That is their profit for the year that has just past.

Mr PETER MORRIS—What shareholding does Rio Tinto have in the Port Waratah Coal Services loader?

Dr Tronson—We have 30 per cent interest via Coal and Allied; we have a further 3.7 per cent interest via Newcastle Coal Shippers, NCS.

Mr PETER MORRIS—It is about one-third ownership of the loader?

Dr Tronson—Approximately, yes.

Mr PETER MORRIS—I read your submission with interest and I made a number of notes about it. I looked at the operation of the coal loader which is totally privatised and the performance of that loader. Are you suggesting to us that that is a model that you want to see in the rail cargo handling or rail movement of coal in the Hunter?

Dr Tronson—Your comment implies some criticism of PWCS. I am not sure what you are implying about the performance of PWCS, therefore I am unable to respond.

Mr PETER MORRIS—What the members of the committee saw yesterday was a fleet of some 20 ships off the port and continuing public discussion about why there are delays in loading coal. What I am putting to you is that the coal loader itself, which creates the queue, is totally privatised, that your company is a one-third shareholder in that, and if that is the kind of performance we would see from private operations of rail movement of coal in the Hunter, I do not think it is something that the industry would want.

Dr Tronson—I am not sure, sitting here, whether I should be proud of the performance of the coal industry or not. However, coal volume historically has grown by six to eight per cent per annum out of Newcastle. The board of PWCS, which is made up of seven coal industry representatives and three Japanese customer representatives and makes the critical decisions on investment in PWCS, had planned on that sort of growth continuing in the year just passed. The actual growth rate of coal exports from the Hunter Valley was 18 per cent and, as a coal producer, I am quite pleased to be able to say that. Most infrastructure would be hard pressed to deal with that degree of step change in throughput without developing queues.

We have taken some steps to control those queues. In fact, there is a program under way at the moment for construction of another berth which will take the capacity to over 80 million tonnes compared with throughput this year of approximately 66 million tonnes. That expansion is planned to be complete by September. A queue of ships

develops for a variety of reasons and is not just due to the performance of the ship loader. The whole coal chain is party to the performance to that queue of ships. I do not think it is appropriate to make aspersions about other players in the coal chain.

Mr PETER MORRIS—I am not suggesting that, but it is important to understand because committee members saw that themselves yesterday.

Dr Tronson—In fact, if you had visited the loader frequently over time, you would have seen that the coal stockpile at the port, which is capable of holding something like a million tonnes of coal, is consistently empty, which indicates that the issues are about delivering coal from the mines into the port. That involves rail load-outs at each of the mines, it involves the rail operations and the capacity of the train system, and it involves PWCS's capacity to unload the trains. So, as I just commented, these queues tend to be a function of a total performance rather than an individual operation of PWCS.

Mr PETER MORRIS—Let us move on from there. It has also been put to some of us that, in the operation of that facility, there are considerable inefficiencies that remain and that the turnover of that facility could be greater than it is. What is the loading rate there, \$2.90 per tonne?

Dr Tronson—Yes.

Mr PETER MORRIS—How does that compare with Queensland? I think it is \$4.20 per tonne in Queensland, is it not?

Dr Tronson—There are some other elements that make up loading rates in total.

Mr PETER MORRIS—Dr Tronson, what we have seen in the operation of that facility is a totally privately owned facility which is owned by the industry. It is an industry which is very much vertically integrated as we go back to looking at your mines, two of which have quite substantial holdings by your customers, but it is not an example of the kind of efficiency performance which we want to see in the industry. We add to that the other question I want to ask: is the expectation that since \$120 million per year is being paid by coal companies in the Hunter in demurrage charges, can we reasonably expect any further reduction in the coal freight rate? Is it simply going to be passed on to offset demurrage payments? You are talking of a figure of \$77 million which compares with \$120 million.

Dr Tronson—I agree with your assessment that \$120 million for demurrage is not something of which we can be proud. It is why we are currently spending significant capital at PWCS. Historically, our demurrage at PWCS is a matter of cents within the range of a dispatch payment for early loading where you might receive 2c or 3c a tonne, to 20c to 30c a tonne demurrage, and that is where we would normally expect to operate demurrage dispatch arrangements at the port. That would be our objective of running

PWCS.

Mr PETER MORRIS—Going through your submission, on our page 126 you say:

. . . rates fell by an average of 6 per cent in NSW from 1991-92 to 1993-94.

My recollection, and my colleagues might correct me, is that FreightCorp suggested today that there had been a 25 per cent reduction in freight rates. I am not going to ask you; that is there in your submission under 'Recent improvements not enough'. But there is that figure, plus what seems to come to mind for a number of us is that any further reduction is simply passed on by your industry in terms of reduced prices.

We look at the other part of your submission, and the bottom of the second page of your submission says:

At \$5-\$6 per tonne, the cost of rail freight . . . amounts to an average of 15-20% of the Newcastle fob cost for exported Hunter Valley coal.

If you work backwards, that means the coal is being sold at about \$20 a tonne compared to a contract rate of about \$40 a tonne. It is very hard to follow the figures. It is almost like coal is being given away.

Dr Tronson—You made a comment earlier that you did not see the coal industry as being a very effective model—

Mr PETER MORRIS—With the operation of the loader—it is vertical integration, it is totally owned by the companies themselves and it is totally privatised. Its rate for handling coal is \$2.90 per tonne, which compares to \$4.20 per tonne in Queensland where there is no shortage of infrastructure and no problems. I was questioning whether that is the kind of model you want to see in the rail freight movement of coal in the Hunter.

Dr Tronson—I would like to see a facility which has sufficient capacity to move our coal through the port and to the port, and rail track capacity to match it that was capable of servicing the industry in a cost competitive fashion. If we have to pay an extra \$2, as you are suggesting is paid in Queensland, I would not be happy to see that—

Mr PETER MORRIS—You and I heard that figure. We were together at a meeting when that figure was quoted. Can I then ask you this: the other factor when you look at this kind of private sector monopoly of the loading of coal—and that is what we have got; it is a private sector monopoly of the infrastructure—is that that monopoly is by the producers. What arises also within the industry that we have to be very careful about is complaints of who gets access to the loader. The smaller producers are complaining that they cannot get a fair go at it, so we come to this question of competitive neutrality. Can you give us some response? How does the industry ensure that there is equity in access to

the loader? Your company, you may recall just recently, opposed a proposal put forward by the New South Wales government to allocate time at the loader so that at least everybody would get a go. Your company was one of the nine companies that went to the ACCC and opposed it.

Dr Tronson—Excuse me, I believe that is not correct.

Mr PETER MORRIS—I have read that it was correct. If it is wrong, I withdraw it, but I read it in the *Newcastle Herald*.

Dr Tronson—I would like to correct that report.

Mr PETER MORRIS—I withdraw that, Mr Chairman. I am reading the report which said that opposition was lodged from nine companies, including Shell, COAL, Glencor Australia, BHP, CIM Resources and the other I was told was Rio Tinto. But if that is wrong, it is wrong.

Dr Tronson—As manager of PWCS and a board director of PWCS, I argued PWCS's and the industry's case in front of the ACCC in support of the proposal put for the allocation system.

Mr PETER MORRIS—I withdraw that and commend you for it. What assurance can you give to smaller firms in regard to this question of competitive neutrality?

Dr Tronson—The port is a common user facility and has all the obligations of a common user facility. It is my intention as a director of PWCS to ensure that those obligations are met in full.

Mr PETER MORRIS—The last question I will ask is in relation to page 2 of your submission, where you referred to opposition from:

. . . Kalimantan in Indonesia where production costs are significantly lower than in NSW.

This is driving your interest in coal freight rates. Does your company have a mine there?

Dr Tronson—Yes.

Mr PETER MORRIS—Is that the kind of opposition you are referring to—opposition from your own mine?

Dr Tronson—Our shareholders have invested in coal mines around the world, as have many other players around the world. One of their mines is in Indonesia. That company obviously works to the benefit of shareholders and other stakeholders in Indonesia to maximise their competitive performance in the world market, as we do also

here.

Mr PETER MORRIS—We are not told that you have mined there. What you say in your submission is:

Most recently the downward pressure on prices has been coming from the availability of coal from Kalimantan, Indonesia, where production costs are significantly lower than in New South Wales.

It is page 2, second paragraph of the submission. That is really pressure from your own mine, from another branch of the company. You ought to have told us that.

Dr Tronson—We produce 12 million tonnes out of Indonesia. Indonesia is currently exporting in the order of 50 million tonnes. I believe that there are many other sellers in Indonesia who sell cheaper coal than we do.

Mr PETER MORRIS—What was in your mind when that submission was written?

Dr Tronson—The competitive pressure of people to maximise sales out of Indonesia. They are our competitors to our mine in Indonesia every bit as much as they are competitors to our mines out of New South Wales and Queensland.

Mr PETER MORRIS—You specified Kalimantan. Mr Chairman, I do not want to take up any more time. There is so much to cover.

Mr McDOUGALL—I would like to go back to a comment that you made and some figures you quoted in relation to capacity. As you said, something like 66 million tonnes were put out. The loader has a capacity of 80 million tonnes.

Dr Tronson—It has currently today a capacity of 66 million tonnes. We are spending capital to increase that capacity to 80 million tonnes.

Mr McDOUGALL—And 60 million tonnes was moved through the port in the last 12 months.

Dr Tronson—Yes.

Mr McDOUGALL—FreightCorp advised us that their rail lines out of the Hunter currently have a capacity of 100 million tonnes. You indicated in your answer that there is insufficient capacity in the rail network to be able to deliver what is required and that is one of the reasons we see the problems in relation to shipping.

You also said, if my memory serves me correctly, that there is cross-subsidy from FreightCorp through to other sides of the rail network in New South Wales. Yesterday in

Newcastle I asked that question directly of FreightCorp: were they cross-subsidising? We have recorded evidence from them that they said, 'Absolutely not.' Can you give this committee evidence that FreightCorp is actually cross-subsidising to other aspects of New South Wales rail?

Dr Tronson—I was referring to RAC, not FreightCorp, in terms of the cross-subsidy issues. I cannot comment directly about FreightCorp. As to the capacity of the rail system, there are two elements. One is track capacity and one is rolling stock capacity. I would have thought that, with the double track system that exists in the Hunter Valley, the capacity figure you quoted for track would seem to make reasonable sense, without having expert advice. FreightCorp advised in September 1997 in a presentation to the PWCS board that the capacity because of rolling stock acquisitions had now got to 63 million tonnes. So that is a rolling stock capacity figure. Obviously, you need both track and rolling stock capacity and the lower one applies.

Mr McDOUGALL—So it is a rolling stock problem, not a track problem?

Dr Tronson—Yes, and they currently have a purchase program for more rolling stock.

Mr McDOUGALL—On that basis, is it true that you as a company have passed over rolling stock to FreightCorp to operate as a means of being able to upgrade the rolling stock capacity?

Dr Tronson—That is correct. I think we have two sets of wagons, not locomotives, that are on lease to FreightCorp.

Mr McDOUGALL—Can they use those for anybody?

Dr Tronson—The only difference between those and the rest of the FreightCorp fleet is that they have a large 'N' on them, representing that they are owned by Novacoal, which is a subsidiary company. Otherwise they are treated no differently from any other rolling stock.

CHAIR—But are they used?

Dr Tronson—They are used, yes. FreightCorp does not differentiate in the use between those wagons and any other wagons in the fleet.

CHAIR—Do you get a corresponding amount of utilisation when their wagons are—

Dr Tronson—There is no difference in terms of the wagons.

CHAIR—For what purpose then is your company making this available?

Dr Tronson—We are keen to encourage greater capacity in rolling stock. We, at some stage, had an opportunity to place an order to purchase those with an on-lease to FreightCorp to enable some capital constraints and issues such as that to be surmounted. It has been a sensible commercial arrangement for both FreightCorp and ourselves.

Mr McDOUGALL—I would like to come back to the Rail Access Corporation. If the access corporation is cross-subsidising, would that not be a case that you could take to IPART and challenge in relation to the access rate that Access Corporation is actually charging?

Dr Tronson—It is not yet clear that we, as rail customers, can take a matter on a RAC charge to IPART. In fact, with FreightCorp or the user of the service provided, RAC has that responsibility.

Mr McDOUGALL—Should the regulatory authority, in this case IPART, and the access authority, being the Access Corporation, remain a state responsibility or should that administration become a national responsibility so that we get a so-called level playing field across Australia?

Dr Tronson—I would prefer to see the regulation as national as possible, as open as possible and as removed from, let us say, political interference as possible—as, I think, national organisations are more likely to be, by their very structure, than state ones.

Mr PETER MORRIS—That was not very open, was it?

Mr HOLLIS—Dr Tronson, you mention in your submission and in answer to, I think, Mr Morris, that the industry was overcharged 30 to 40 per cent on rail. What is the cost comparison in the Hunter between rail and road cartage for coal?

Dr Tronson—Normally, road cartage prices are just above rail; historically, they have matched one another. The current rates for road, I would have thought, would be greater than the current rail charges. However we are not, and have not been, a direct user of road.

Mr HOLLIS—You would not have any idea what portion of the coal went by road or rail, would you?

Dr Tronson—It is a very small percentage of coal that goes into PWCS by road—less than three million tonnes out of over 60 million tonnes.

Mr HOLLIS—One of the reasons, I suppose, is because of the rail network in the Hunter: you were talking yourself about the loops that have been put in. Apparently it is a

very well serviced area for rail.

Dr Tronson—It is. The terrain makes relatively easy construction of rail links possible but the further the distance, the greater the advantage for rail over road. Certainly, the development consent requirements have obligated new mines to use rail. Further, the new mines tend to be high volume and that further advantages rail.

Mr HOLLIS—But, internationally, it is a very low haulage, isn't it?

Dr Tronson—It is short distance.

Mr HOLLIS—What is short distance haulage? One hundred kilometres or so?

Dr Tronson—Yes, but large volume rail is more efficient than road—regardless of distance.

Mr HOLLIS—I know that you have alluded to some of them, but what do you or the company see as the main obstacles, say, to private investment in the rail industry in the Hunter or in New South Wales?

Dr Tronson—It is always difficult for a second operator to enter a market, when there are one or two very well established operators. We have seen that in other industries in Australia, such as the airline industry. So a new rail operator will need to satisfy himself that he has sufficient volume and that he can be price competitive with, in a sense, a quarter of the volume that the other rail operator has. So that point of entry is a very difficult commercial position.

Mr HOLLIS—Just to go to the Kalimantan issue: what are the reasons that Kalimantan, in your view, is producing such better load production costs here?

Dr Tronson—Kalimantan has what I would describe as low ratio coal; the amount of dirt they have to move to get a tonne of coal is less than we have to move in New South Wales. So they have a fundamental resource advantage.

Mr HOLLIS—I was just wondering whether your view of it was the same as mine, because I have been there. That was my view: rather than it being all the other things that people point out, the stuff is almost on the top of the ground.

Dr Tronson—That is correct. The coal is of a lower quality than the New South Wales coal. However, for a major utility, they are interested in the price of energy, and it is often cheaper to buy a lower quality material at a much lower price than it is to buy a better quality material at a higher price.

CHAIR—We talked before about the wagons. What investments has Rio Tinto or

its subsidiaries made in rail, other than those; have you made any direct investments in rail?

Dr Tronson—As a coal company in New South Wales, we obviously have been involved in the investments to load trains, as appropriate for rail loops. But outside of that within New South Wales, no investments in rail; outside of New South Wales, yes.

Mr WAKELIN—I want to try to grapple with the access issue in terms of the Broken Hill agreement and the National Competition Council. You make the supposition that you would expect the minister to make a similar decision, or not to declare in the same way in the Hunter. That would be your expectation?

Dr Tronson—That has occurred since the writing of the submission.

Mr WAKELIN—So you buy them, and then there is no declaration made.

Dr Tronson—That is correct.

Mr WAKELIN—I also note that you obviously have experience in the Pilbara, and that you fairly observe that it is not reasonable to translate the same experience in rail from one region to another.

Dr Tronson—That is correct.

Mr WAKELIN—The key question I think you have touched on in the Minerals Council's submission with the highly discretionary and non-transparent machine. Also, my colleague has already touched on what appears to us to be conflicting evidence in terms of the price that may eventually net to the producer. I just wonder whether you could throw a little more light on this access issue in terms of that new development, the declaration, and the access regime—and RAC is where you are focusing your attention here. Is there anything else there that might just help the committee to understand where we might go from here?

Dr Tronson—I suppose, as representing Rio Tinto, I am interested in having a clear, well defined set of rules that enable entry by a second rail operator, and ensuring that the process of investment in rail track is made on a rational basis for the industry in total. One of the issues discussed briefly was the performance of PWCS and the need to remove the queue of ships.

We are investing \$90 million this year to extend the wharf facilities and loader. Parallel to that investment are investments necessary in rolling stock, and FreightCorp is making those. A critical investment is some work required on the track by RAC. The sense of urgency in making those investments is not there. In a sense, for a national committee, that particular issue perhaps is not relevant, except in so far as it indicates a

state of mind or a process that is, in fact, not adequate in the longer term.

Mr PETER MORRIS—Dr Tronson, can you give us an assurance that small producers will have access to loading facilities on a continuing basis? Also, can you give us an assurance that, if there is to be a reduction further in the coal freight rate, it is simply not going to be passed on in demurrage changes and further price cuts?

Dr Tronson—We as a company are not interested in minimising the price we receive. So we would be looking to maximise the price we receive for coal, in a sense, regardless of costs and demurrage.

Mr PETER MORRIS—So you will talk to Kalimantan about that, will you?

Dr Tronson—Let me assure you that it is not in their interests either to lower the price.

Mr PETER MORRIS—I want to believe you.

Dr Tronson—I cannot see why you would not believe that companies do not want to make less money.

Mr PETER MORRIS—And small producers?

Dr Tronson—Small producers: I cannot guarantee their access to a loader. But I can guarantee that we will meet our obligations as a common user facility, and that all players will be treated equally.

CHAIR—On that assurance, I thank you for your evidence, Dr Tronson. If the committee has any further questions, I trust you would be prepared to let us have those answers in writing. The secretariat will let you have a copy of the proof of today's proceedings. Thank you once again.

Dr Tronson—Thank you for the opportunity.

[11.34 a.m.]

DAVIDSON, Mr Anthony (Tony) John, New South Wales Manager, FCL Interstate Transport Services Pty Ltd, PO Box 141, St Peters, New South Wales 2044

CHAIR—As you are probably aware, you are not under oath in these proceedings, but they do carry the same weight as those of the parliament and they warrant the same respect that would be accorded to the House. So any false or misleading evidence would be taken as a contempt of the parliament. Do you understand that?

Mr Davidson—Indeed.

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

Mr Davidson—As part of the presentation, if I may just give a number of updates to the submission that have happened since September last year within our industry.

CHAIR—Perhaps for the sake of efficiency, before proceeding to questions, would you like to give us a three-minute overview of your submission and you can identify those as part of the overview.

Mr Davidson—To assist the committee to focus on my knowledge and expertise, I will give you a quick resume of myself. My company is well known. If you have any questions regarding FCL Transport, then please make those part of the questions. I have been in my current position as New South Wales manager for the last 20 years, commencing with one container a week to move intermodally between Sydney and Perth and the intermodal containerised rail service door-to-door throughout the country is continually growing. As such I have been at the coalface of the selling of rail services in competition to road for the last 20 years.

To broaden my outlook, I have been involved in a number of industry associations in responsible positions—those associations being ICHCA, the International Cargo Handling and Coordination Association, the National Freight Forwarders Association and the Logistics Management Association, and I was the New South Wales rail chairman with the New South Wales Road Transport Association. In that position I gave evidence at a previous inquiry into the efficiency of the Australian National east-west corridor, which resulted in the creation of National Rail.

To update the submission, some of the things that are creating change within our business environment since last September have been the purchase of all the competing TNT divisions by Toll Transport and the National Track Authority is now proposed to be a corporation. I am not happy about that. The FCL Blayney-Sydney two trains a day service reached financial break-even at the end of last year, which took some sweat off my brow. We have completed the first stage of our development of a new rail terminal out at

Parkes in New South Wales and FCL have now been short-listed to manage a new rail terminal at Clyde for FreightCorp.

If I might just make a quick comment and overview with regard to the SRA comments and the committee's interest in the rail tracks within Sydney. The capital expenditure for a freight only dedicated line within Sydney is obviously extremely important and this is because Sydney's rail track is part of the national rail network and, therefore, any bottlenecks do create a problem.

Sydney is the biggest consumption point for general freight in the country. If we do not have decent access in and out of Sydney, what chance do we have to move freight by rail in and out of Sydney? Of course, on that side it is a major generation point for freight leaving Sydney to go interstate. When I think of the amount of money that has been offered to build a rail line between Alice Springs and Darwin and I look at the problems of moving freight in and out of Sydney, I have a problem.

CHAIR—I would like to ask you questions covering two fields. Firstly, on that last point you were making about moving in and out of Sydney, you say that you are going to operate the new depot at Parkes. That was the inland port concept originally. Is that the one we are referring to?

Mr Davidson—Yes, indeed for 30 years it has been bandied about. FCL Transport now has spent \$3 million to create the beast. Inland port is one way to look at it. I think that our Blayney rail terminal is successfully doing that for the central west. After four years we now have 50 clients using that rail service and two trains a day.

Parkes is more about the spoke and hub for the country, where we can get freight coming by road from inland Queensland down to Parkes and then get into the rail system at Parkes double stacked through to Perth, or from Perth coming through double stacked to Parkes and then into New South Wales or Queensland.

CHAIR—Was that a discrete decision or was that motivated by lack of access through Sydney?

Mr Davidson—The managing director of our company, Bill Gibbins, has had this vision of Parkes becoming a hub to the country for intermodal road-rail swapping for 15 years. For the last 15 years he has had me going out and having a look. I guess the Blayney rail terminal gave us the stepping stone to make Parkes a reality. So it is 15 years in coming. We have no guarantee it will work. We just are totally working on vision. Hopefully, it will become a viable economic opportunity.

CHAIR—That in itself does not necessarily improve the congestion in Sydney.

Mr Davidson—No, it certainly does not.

CHAIR—On a totally different subject, in your submission you make a plea for transparency so that competitors know that the same access rates are being applied. Do we take it from that that you believe there are special deals? Furthermore, you refer to freebies being granted to SCT and Austrac. Why do you argue this? What alleged special facilitation has been given to those companies?

Mr Davidson—I will take the latter first, SCT. In agreement by bipartisan politics in this country, we are creating competition under the Hilmer regime. I think that is a good thing. They are called a private rail operator, even though all they are doing is utilising existing locomotives and wagons from state systems. I understand there is no rent charged to SCT for their rail terminal in Melbourne. I understand that the marshalling by Westrail in Western Australia from Forrestfield to their terminals has been at no charge. There has been quite a carry on over there by SCT because Westrail wish to now start charging.

SCT are able to come into the Sydney market and start swapping freight off the five days week Sydney-Perth rail service at a 20 per cent reduction, by road to Adelaide and then from Adelaide to Perth by rail. They can do that economically only by having lower costs. If they are given freebies in free terminals, free shunting, et cetera in comparison to National Rail and the clients of National Rail like FCL, that is unfair competition. I do not really think that is the objective we are trying to set.

Coming back to the question of transparency: in New South Wales the Rail Access Corporation exists. I find it difficult that it is a corporation while we have the Road Traffic Authority. If I go to register a truck with the Road Traffic Authority, I know that my competitor will pay exactly the same price. When it is a corporation and their job is to try to create new rail operators whichever way, then the enticements to the Austracs, the Northern Rivers Railroads and the other new wonderful opportunities of private operators to start utilising the rail infrastructure in New South Wales are unknown. There is not a document that says this is the price whether you are private, public, Joe Bloggs or anyone.

The issue of track access should be identical to that of road—that is, ‘Here is the price. Like it or leave it.’ Then anyone has the opportunity to know that they are on a level playing field with regard to access.

CHAIR—Have you received any evidence that that is substantially not the case?

Mr Davidson—I am very close to my partners in the intermodal business—FreightCorp and National Rail—and I have no evidence. I have the grumblings, the whingeing and the ‘Oh, dear. Look what is happening here and there.’ So, no, I cannot produce evidence, but there certainly appears to be over the last couple of years some issues with regard to rice growers, et cetera that do seem a little strange.

Mr WAKELIN—With regard to the SCT issue, do you understand that is

continuing since the arrangements were made some three or four years ago? Would you believe that arrangement to Adelaide would be still in place?

Mr Davidson—It certainly is still in place. There are four operators between Melbourne and Perth: SCT is one of them; TNT Tolls is another—or TNT is gone and we are one of their largest clients; you have Trailer Rail, which is a division of National Rail and National Rail's container services. Yes they are ongoing.

Mr WAKELIN—I just wondered whether there had been some change in the arrangements since the change of ownership with AN.

Mr Davidson—Not at this stage that I know of. I know of no change.

Mr McARTHUR—You make some pretty strong comments about the Rail Access Corporation and you are supportive of the National Track Authority. Could you just give us some comments about how you might blend those two organisations into a national authority, given that Rail Access Corporation is a state operation relating to state assets? Could you help the committee on how you would run it if you were in charge?

Mr Davidson—The first thing we would have to do is change the constitution, wouldn't we? The Commonwealth government only has authority over freight, as I understand it, between a ship and the land, and the states have all the rest. Therefore, the only way you can entice some sort of continuity out of the states is to do it with the dollar. That is the way the Commonwealth has to work. Being involved in the moving of freight around this country, I would love to see a change in the constitution so that there can be one national responsibility—

Mr McARTHUR—Section 92 has been quite helpful to you transporters, I have noticed over the years.

Mr Davidson—Indeed it has. I am not a legal person. Does that come from—

Mr McARTHUR—Let us have a practical assessment of it.

Mr Davidson—Any way you can do it, please do it. You are the politicians; I am not. If you have got any suggestions, I will pick them up.

CHAIR—You do not see that occurring, for example, through a surrender by the states to a national authority, not necessarily controlled by the Commonwealth but brokered by the Commonwealth? It could still be controlled by the states collectively.

Mr Davidson—Of course. If the Commonwealth government can get agreement from the New South Wales government, that is the easiest option, isn't it? Of course, yes please.

CHAIR—Is it the controlling role that you are looking for or the brokering role?

Mr Davidson—No, a consistent role with one system, which is what we really tried to achieve with National Rail.

CHAIR—That could be achieved either way, either with the surrender of authority, or with the Commonwealth brokering a new arrangement.

Mr Davidson—I think it is the Commonwealth's role to try to broker arrangements to get better continuity between states—in rail and in everything else. Yes, definitely.

Mr McARTHUR—Following that comment you say:

The current system in NSW where by Rail Access Corporation can do secret deals with potential train operators is obnoxious—

Those are pretty strong words.

Mr Davidson—Yes, that is the way I feel.

Mr McARTHUR—Do you care to add something to that—to say that your recommendation obviously is a more transparent process?

Mr Davidson—Most definitely a transparent process, as I have already stated. National Rail is for sale later this year. Hopefully the Victorian government and the New South Wales government will have given approval by then, as I believe that is the problem at the moment. If National Rail is sold lock, stock and barrel to a firm from Wisconsin in the USA—obviously they have the money, as Mr Burkhardt has stated—and if they get the track as well, how will that keep the competition issue alive and moving? I do not think that is heading in the Hilmer direction. There has to be some way that it occurs, and I have got lots of negatives. It is really hard to come up with a positive solution to the problem of having competition in this area with only 18 million people on such a large island. I think it is very difficult.

Mr McARTHUR—The secret deals are what I am trying to get to. What is the rationale by the Access Corporation in doing a secret deal?

Mr Davidson—Okay. Secret deals are deals that can be done by any private organisation in a negotiation to create a trade. That is what I regard as a secret deal. There is nothing insidious about a secret deal; it is just that it is confidential to those two parties. In the last week I have situations where I have asked National Rail for rates, and they have said, 'No, sorry, I can't without a confidentiality agreement.' These types of issues are coming up, and we are getting these confidentiality agreements—ever since the Rail

Access Corporation has come to be—that are trying to create secret deals. Take the term in the way that I meant it. It is that there is negotiation between two parties privately.

Mr McARTHUR—Do you think the Access Corporation could become a major regulator, rather than a facilitator of more open competition in the rail network?

Mr Davidson—A major regulator in comparison to—

Mr McARTHUR—Being a facilitator of more competition. That is the basic theory, that there will be more operators on the network, but what you are saying is—

Mr Davidson—That is the model. But, unfortunately, I cannot see how it can occur. I would rather see that the existing rail organisations compete against each other. In other words, FreightCorp and the V/Line start moving interstate and National Rail moves intrastate. In that way, we can move from where we are and grow, instead of trying to create another rail operator to compete against the existing rail organisations.

Mr PETER MORRIS—In your projections for future cargo movements, how do you factor in the impact of foreign shipping that is moving increasing numbers of containers from Melbourne, Sydney and Adelaide to the west? What is the impact of that on rail?

Mr Davidson—As it stands, the single voyage permit system has been working very well for the movement of dense freight that may not travel at all by rail. There is always a cross thatch between any two alternative systems of moving freight. What will happen with the easing of the single voyage permit or the elimination of cabotage will be that any ship will try to obtain dollars for the current—

Mr PETER MORRIS—It is having a substantial impact already on the westward movement of containers. How are you factoring that in? You do not make mention of it here. I thought you might have been using it.

Mr Davidson—Not so, because we actually do use the single voyage permit system to move freight east coast, west coast. If it is there and it is good for the clients, we will do it. But, as it is difficult to obtain single voyage permits at the moment, by nature this is what would happen. Let us take it that cabotage is dropped—

Mr PETER MORRIS—How long since you applied for it? When new sevens have exploded—the use of them—it must not be too hard.

Mr Davidson—It is not too hard, but not every ship is picking it up and using it. Therefore, not every ship that is calling in to each capital city is offering the service.

Mr PETER MORRIS—Maybe you have not looked at the recent figures, but the

massive growth is in the movement of containers out of Port Sydney, Port Melbourne, and Port Adelaide to Fremantle. It is containerised cargoes and general cargo containers.

Mr Davidson—It is, but within the actual technicality of getting an Australian designed container which has an extra 2½ inch width in it which would take the pallet into a cellular ship. No go. Therefore, you have restricted—

Mr PETER MORRIS—No, those containers were being moved by NRC. That trade is moving across onto foreign ships. Obviously you have not looked at it.

Mr Davidson—If the transit time can be supported, we offer them all—

Mr PETER MORRIS—All the projections, all the cases, which are being argued here in submissions are for a national rail system, interstate movement. You would have to factor in what is happening already with foreign shipping movement containers on the major routes. The bread and butter route of NRC is east to west.

Mr Davidson—True.

Mr PETER MORRIS—You obviously have not done any projection.

Mr Davidson—It is also our bread and butter.

Mr PETER MORRIS—You might have a look at it. Let us look back at the performance of your company and the kind of service you are providing. You are providing a total service. What you see as the growing market is the provision of a total service, point to point, whether it is road, rail, sea or whatever combination, is it?

Mr Davidson—Most definitely, it is.

Mr PETER MORRIS—That is your projection. What of the documentation system between the differing forms of transport? How efficient as a practitioner are the linkages between rail and sea and road? Is there room for improvement and is the language common?

Mr Davidson—That is a good question. There is no impedence due to language. It is the same language.

Mr PETER MORRIS—I do not mean language; I mean in the documentation, computer language.

Mr Davidson—A consignment note is a consignment note and we all use that as the basic method. I do not think there is any major impedence in that matter.

Mr PETER MORRIS—You do not have any problems?

Mr Davidson—No.

Mr PETER MORRIS—As I understand it, the rail system has its own computer system, road has another system and sea has another system. You cannot sit Tony Davidson in your office and key in your consignment note and know that it will go to all elements at the same time, can you?

Mr Davidson—Definitely not, nor could one road operator to another road operator.

Mr PETER MORRIS—That is what I am getting to.

Mr Davidson—Absolutely, if you are talking electronic transfer, but the transport industry is a little slower. I would say National Rail is probably the most advanced in that area and I commend them for it. We are on the Internet through their freight web and do all our bookings and actually load on behalf of National Rail and their clients.

Mr PETER MORRIS—In our terms of reference we are required to look at the efficiency and performance of those links. Obviously, you are saying it is something we should be looking at fairly closely.

Mr Davidson—Yes, please. At this stage, it is really futuristic, if I can put it that way. There are a lot of people driving for it. It is obvious that we have to get to electronic communication and do it far better than we are at the moment.

CHAIR—You must already have that capacity if you are acting as agents.

Mr Davidson—No, not necessarily. The phone is fabulous, the pencil and pen are fabulous; not everything is computerised in the transport world, not at all.

Mr PETER MORRIS—And roadies don't talk to rail—you know that.

Mr WAKELIN—You are obviously in the road business.

Mr Davidson—Rail. We use road to interlink.

Mr WAKELIN—Yes, but you use road and rail.

Mr Davidson—Yes, we do.

Mr WAKELIN—I just noticed your mode of distance under 250 kilometres. Obviously, coal is operating well under that at 90, so you are talking general freight.

Mr Davidson—If you notice the qualification there, high volume short distance will also come in under the 240 kilometres.

Mr WAKELIN—The argument has been run pretty consistently about—I have not heard; maybe I have not picked it up—the issue between road and rail and the comparative level playing field. Do you have a view about that?

Mr Davidson—Most definitely. Road is the easy option for a politician. You will answer most problems by building a road for your electorate, for the trucks, but it is an uneconomical option when it comes to some of the other issues—the environment, safety and efficiencies. If you have sufficient volume of freight moving from one point to another, or it can be collected to do so, as we have done between Blayney and Sydney, and grow those volumes, then you can use a train, but you have to get those volumes up.

With only 18 million people in Australia, we just cannot afford the infrastructure that we are demanding, that is, to have both road and rail absolutely magnificently set up. Therefore, the road is the easy option for you guys but rail must be there as a component and it can be done better. You cannot go spending billions building the Hume Highway, nothing on the rail track between Sydney and Melbourne, and then say, ‘Get up off your bum and start working, Mr Railways, between Sydney and Melbourne.’ Rail cannot compete when you have put all your infrastructure cost into the road.

Mr WAKELIN—I wonder whether you have addressed the Commonwealth-state issue. Traditionally they have been systems of the state and the Commonwealth—with notable exceptions—has been tending to hang around on the outside of rail. Putting all the politics to one side as much as possible, do you know of strong advocates for rail around the country? How strong are the advocates for rail within this country?

Mr Davidson—The strongest advocates for rail in the country are, generally speaking, people like the Highway Safety Action Group at Orange.

Mr WAKELIN—With all due respect, I understand that, but in terms of a national coherent policy advocating the sorts of things that you and I would probably agree about, where do you see it?

Mr Davidson—Rail must improve its image by performance to appease the people who want to move freight.

Mr WAKELIN—We have heard that \$30 million would help significantly the freight out of Sydney.

Mr Davidson—Yes.

Mr WAKELIN—And you made the analogy between the Alice-Darwin line. Why

has that not happened?

Mr Davidson—I am only one human being.

Mr WAKELIN—It is very important.

Mr Davidson—It should happen. Why do we not have a decent rail terminal in Sydney? Why are we playing around with five silly little rail terminals in Sydney and we cannot even get a decent one up in Enfield because no-one wants it in their backyard, or because of lack of foresight of how to get a rail system that works better.

Mr WAKELIN—A \$650 million subsidy is going into your urban transport rail system and \$30 million for freight and it cannot happen?

Mr Davidson—My side of rail in New South Wales is such a small side in comparison to coal and metropolitan. We do not really get a look in traditionally, but here's hoping it improves.

CHAIR—Thank you for your evidence, Mr Davidson. If the committee has any other questions, I trust you would be prepared to let us have your response in writing.

Mr Davidson—Most definitely.

CHAIR—The secretariat will let you have a proof copy of your evidence in the near future.

Mr Davidson—Thank you.

[12.01 p.m.]

KNOWLSON, Mr Andrew, Manager, Planning Services, Shellharbour City Council, PO Box 155, Shellharbour Square, Blackbutt, New South Wales 2529

WALLNER, Mr Frank, Manager, Healthy Cities Illawarra Inc., 49 Kembla Street, Wollongong, New South Wales 2500

CHAIR—I welcome the representatives from Healthy Cities Illawarra Inc. to our proceedings today. Mr Knowlson, is your council a participant in Healthy Cities Illawarra Inc.?

Mr Knowlson—Yes. I am a representative on the transport and environment subcommittee for Healthy Cities.

CHAIR—Before proceeding, I should advise you that, while you are not under oath, these proceedings carry the same weight as proceedings of the parliament and they warrant the same respect. Any false or misleading evidence is a serious matter and is regarded as a contempt of the parliament; I trust you understand that. Do you wish to make any alterations or additions to your submission before we commence?

Mr Wallner—No.

CHAIR—Would you give the committee a three-minute overview of your submission and we will then move to questions.

Mr Wallner—Healthy Cities Illawarra is part of an international network of 3,000 places throughout the world that believe our health is determined by economic, environmental, social, mental and physical factors. To improve the health of communities, we must work cooperatively and collaboratively to address these factors.

For the past five years, Healthy Cities Illawarra has convened a transport and environment task force which aims to improve the health of the community by lobbying for improved public transport, reducing private vehicle use and reducing freight haulage by road.

As an industrial city, freight haulage is a critical issue with environmental, health and safety implications for our community. There is evidence that there is an increase in the amount of freight being transported by rail in the region; however, task force members representing industry state that the biggest barrier to further freight haulage by rail is inefficiency. Transportation times for freight travelling out of the Illawarra are too long and, for those going to Melbourne, it seems that it is the poor condition of the track that causes much of the time delays. There seems to be a desire by our industry representatives to utilise rail more; however, these infrastructure-caused inefficiencies mean that it is not a

viable economic alternative.

We are also extremely concerned about air pollution in the region, including motor vehicle emissions. There is evidence of increased private motor vehicle use for commuting purposes with large residential developments occurring in the south and the north of Wollongong. There are also large numbers of people now commuting from the Illawarra to Sydney for work, and the inefficient train service means that many are choosing to drive private motor vehicles.

Mr Knowlson—The Shellharbour Council area is part of the Illawarra. We currently have 52,000 people with no access to electrified rail or a major bus-rail interchange. Our outcomes for the community are ones of sustainability. Without the transport infrastructure, that sustainability cannot be achieved. If anything, all I can offer is a community's enthusiasm and passion for that sustainability. I seek to address two of the terms of reference of the committee.

We have worked in excess of 15 years to establish proper infrastructure integrated with bus and rail. The most telling issue is that over that 15-year time we have been unable to achieve that, and our community is now based very strongly on road. Part of the issue is a matter of difficulty with institutional coordination between local, state and federal levels. It is a matter of some frustration trying to determine what or who is the champion for any particular infrastructure item and how on earth the coordination can take place between numerous government authorities, whether it is at state or federal level. I think I will leave it there. If you wish to ask me questions, I will expand on those issues.

CHAIR—Just a small technical point: you say you have no access to a bus transfer system. Is that what I heard you say?

Mr Knowlson—Yes. It was electrified rail and a bus-rail interchange which would enable access for commuters, particularly from our area. They tend to work either in Wollongong or in Sydney.

CHAIR—What is the distance to those two venues?

Mr Knowlson—To Wollongong, probably 25 kilometres; to Sydney, it is probably in the order of 90.

CHAIR—Do you see that as a community service obligation or do you see it as just an extension of the rail system to incorporate another part of—

Mr Knowlson—I see it as an obligation of both state and federal governments to achieve sustainable management of urban growth. Without access to alternative transport systems, road will rule.

CHAIR—Do you ultimately see your area as becoming a dormitory suburb of Wollongong or Sydney or do you see yourself having a self-contained focus as well?

Mr Knowlson—I think the dormitory focus is one that has been forced or foisted on us, more through the price of land and accessibility for groups from southern Sydney. But in answer to your question, no, that is not our objective; our long-term objective is self-sustained status for employment as well.

CHAIR—While I understand your problem, to a large extent doesn't the market determine what sort of transport is appropriate for your particular area? Why should the state government necessarily extend electric rail to your particular area? Wouldn't a bus interchange become a dimension of demand? What I am leading to is: where do you see the community service obligation lying with this issue? Do you think it is a right of your area to have that or do you think it should be demand driven?

Mr Knowlson—It is probably not quite an easy answer to give in that, from the information I have available, we have very low usage of public transport. Probably the reason is that we have a very good road system. It is difficult, given the current state of the public transport system—its fragmentation in terms of two bus companies and also the electrification not extending—that the choice is either an inefficient system or a second car.

Ideally, what we have been trying to achieve is that residents coming into our area do not need to purchase a second car. We had a Translink project, which was federal government funded, to try to encourage or identify an opportunity that was available for a system which could compete with cars and link that to a rail system, but unfortunately the two did not come together.

CHAIR—So it goes beyond just a community obligation; you are seeing this a quality of life thing for your particular local authority areas?

Mr Knowlson—If you determine sustainability as quality of life, yes.

Mr HOLLIS—I note that in your submission you quote the former transport minister John Sharp as saying that rail tracks linking Port Kembla to Melbourne and Brisbane remain inefficient. We heard quite a lot yesterday about the coal coming down through the Sydney network and trundling down the South Coast, but where are we up to on the Maldon-Dumbarton line?

Mr Knowlson—As far as I know, the Maldon-Port Kembla line is partly completed.

Mr HOLLIS—I note you say here that road pricing should be increased, particularly for bulk haulage with heavy trucks. What sort of increase are we talking about?

Mr Knowlson—In the submission and from the information in New South Wales, we have decreases in fees for six-axle semi-trailers—halving from about \$8,000 to \$4,000 a year. I would question why that has occurred and whether that needs to be looked at; whether that would be increased back to the previous levels.

Mr HOLLIS—Mr Knowlson, I follow the Chairman's question about the interchange at Oak Flats: who is committed to funding of that at the moment? There is some work going on there, isn't there? There is a bridge going on, but is a state or federal government committed to funding that interchange?

Mr Knowlson—Currently, no. There is word of a Roads and Traffic Authority construction of a road interchange, which is a component, if you like, of the overall development of that site, but there is no state or federal government funding identified for that project. We have, on a number of occasions, had commitments from one or other of the government agencies to funding, but never concurrently.

Mr HOLLIS—As I understand it, they are going to move the railway station there as well.

Mr Knowlson—That is correct. It is a fairly small cost infrastructure project, but it would involve the moving of the railway station and the electrification. The Department of Transport advises that the interchange will not compete effectively without electrification.

Mr HOLLIS—Putting my hat on as a member of the federal parliament, rather than as a local federal member, my final question is—

Mr McARTHUR—You are not prejudiced, are you?

Mr HOLLIS—No. What is the advantage to Australia—that is what we are looking at in talking about rail in this inquiry—of the funding by the federal government, or for that matter the state government, of the Oak Flats interchange?

Mr Knowlson—I think the advantage is that you are increasing the access, usage and opportunity for rail. You are also taking a step which is one that will need to be made at some stage; that is, the next likely growth area for the South Coast will be focused around Nowra and the rail currently goes to Nowra but not in an electrified state, so it is a matter of economy, of making a staged approach to something which is likely to be inevitable in the long run. That will all add to the ability to improve the economy outside of Sydney.

Mr HOLLIS—So, in short, it would be part of an integrated transport network?

Mr Knowlson—That is correct. I do not believe we can look in at Oak Flats in isolation. I do not think that Healthy Cities Illawarra has ever attempted to do that. My

purpose in being here is to give you a down to earth—if you like, on the ground—focus from a particular community that is represented within the healthy cities group.

Mr Wallner—It also provides a regional snapshot of things that are occurring in relation to road and rail. It goes beyond simply being a regional issue to setting an example about trying to take into account the full costs of environmental, safety and health issues, as well as a shift from road usage to rail usage—and that obviously has national implications.

Mr McARTHUR—Your region, apart from having a very active statesman-like federal member, has got some interesting material here that you put forward. I just raise the issue of the political acceptance of the thesis you are putting to this committee. I note the facts in your document. I also note that Dr Philip Laird is a contributor to that document; he has been a witness before the committee. I am interested in how the local community would accept the basic thesis that you put at the end of that document: whether you are a unique region in terms of the bulk commodities, the people commuting to Sydney, the road and rail network, heavy industry and the pollution argument. If you walked down the streets and put some of those arguments, I wonder whether people would have an acceptance that some of those arguments have some validity or whether they would think they were just a whole lot of theorists putting up some strange views?

Mr Wallner—Over the last year, particularly in the Illawarra, there has been increasing concern about air quality issues as a result of a whole number of things, including a leukaemia cancer investigation. It is not directly related but it has raised the community's concern and awareness about a whole range of environmental issues. I think there is a receptiveness in the community to having a convenient and effective option for using public transport down there. There is also great regional organisational support from local governments, bus operators, environmental organisations and the EPA. They are all pursuing both issues—the Oak Flats interchange and the electrification of the rail lines—but a better integration strategy. So I feel that there is certainly both community responsiveness and receptiveness, but there is also organisational commitment as well.

Mr McARTHUR—In the document about the future which you circulated you really put up some interesting possibilities. It talks about the current 'business as usual', and says that we could have a better option. It really makes some pretty important futuristic observations. People in your community would understand what you are talking about?

Mr Wallner—Certainly. Unfortunately, I have only lived down there the last three years, but I do not think there is any confusion about it. I am also a commuter and, even though I car pool, I see a lot of people in similar situations commuting in the same way. If there was a viable alternative to commuting—essentially, either to the steelworks or to Wollongong central and perhaps the University of Wollongong—people would take that as an option. I do think it is a common concern. It is certainly a growing concern in the

community. I think what we are trying to achieve can be explained.

Industry has been extremely supportive as well in trying to improve. If the rail system is good and there are improvements to the system, our industry representatives on the task force have said they will use rail. But even this week BHP is looking at a shift in their transport mix for the coal industry, basically because, of course, the coal industry is under a lot of pressure at the moment. They are looking at increasing their road use again, which is of concern, as well, for environmental, health and safety reasons.

Mr McARTHUR—What about this proposition? I am not familiar with the Maldon-Dumbarton line and the new tunnel. Would the community accept that as being very helpful to the rail network and making a major difference?

Mr Knowlson—I can give a comment, not that I have had a lot to do with the Maldon-Dumbarton line. It is one that was started, never finished and never funded. But I think there is an argument to say that we have an alternative port system which can be accessed by rail. If that can access other market areas such as western Sydney, that is probably an extremely important thing for the community. They would see that as being an opportunity for economic growth and also for reduced air pollution.

Mr McARTHUR—Do you think the local community might chip in the capital costs of that if it is such a good proposition?

Mr Knowlson—That is a fairly difficult question to answer. The answer probably is that they would not necessarily see it as each of the individuals' ability to do that.

Mr McARTHUR—You are putting up the position from the Illawarra and you are putting up all these good things; I am just suggesting that you might put in some capital moneys to make these things come to fruition.

Mr Wallner—The community would be putting in capital funds through paying taxes, obviously, and we would like to see a more equitable distribution of tax funding from road to rail.

Mr HOLLIS—The real benefit of the Maldon-Dumbarton line is not necessarily to the Illawarra. It could be to the Sydney suburban area because at the moment the coal and other things come from the western fields and go through the Sydney suburban network and tie up the Sydney suburban network and then trundle down the south coast. The Maldon-Dumbarton line is a short cut and would take all that area and would tie it up. So if anyone is going to put money into it, it is as much the city of Sydney and the residents there as the residents of the Illawarra because it would be to the benefit of the city of Sydney as well as New South Wales in general.

Mr McARTHUR—I did think the question was quite a fair one—with great respect to my colleague.

Mr McDOUGALL—I would put the question in another way. We heard yesterday from FreightCorp that on the information that has been given to them the potential growth for coal exports out of Port Kembla is very limited, if not negative. On those grounds, why would you want to spend what would be millions of dollars to create something that you are not going to get an economic benefit out of?

Mr PETER MORRIS—Only a Queenslander would ask that!

Mr McDOUGALL—That is a rational question.

Mr PETER MORRIS—It is a Queensland question.

Mr Knowlson—It is an understandable question. I am not an expert in transport, so I will give you a view from the community. I am not sure that from a community viewpoint everyone would necessarily see one area of infrastructure as being drastically important. They would tend to say that, if it has multiple benefits and can benefit not only their community but other communities in terms of exports from western areas of New South Wales, they would see other benefits involved.

Mr McDOUGALL—Are those export opportunities there? That is the question I am asking because FreightCorp said yesterday they were not. It is a bit like the Parkes airport—we have heard about this for years. All these people are screaming about wanting a Parkes freight airport but at the end of the day it is one jumbo a week for a \$60 million investment. Where is the community or economic benefit in that? Are we dealing with the same sort of question with this bypass?

Mr Wallner—Could we respond to that in writing?

Mr McDOUGALL—Yes, certainly. I would appreciate that.

Mr Wallner—The only other comment I would make is in terms of economic costs. I am still not certain that businesses think of it in dollars and cents and the direct costs to them.

You also have to look at the further costs to the community of increasing road usage, improvements to the road, environmental costs in terms of air quality and road accidents if there are deaths as a result of increasing coal haulage up and down Mount Ousley. Those all need to be factored into the actual economic cost or the social cost of a rail or road system. If you want a further response, we can do that in writing.

Mr McDOUGALL—What you are putting here is a proposal of capital expendi-

ture and development of infrastructure in rail for two purposes: firstly, economic and, secondly, a possible change in the culture of people's mode of transport to and from work. I see your chance to try to drag them together, but I see them as not necessarily being one of the same question, because your freight question may not relate at all to the transport question of people. The questions I have asked so far relate to freight and to commercial operation.

In relation to your points in regard to passenger movements, we have heard evidence from the state rail authorities that 75 per cent of their commercial operations happen in the Hunter Valley and that the Sydney operation of the urban network costs the taxpayer \$650 million per annum as a net loss. What benefits will state rail get in passenger movements in relation to expansion of the electrification of the line and, obviously, a contribution towards the interchange? What are they going to get out of it if they direct some of those funds that they are desperately trying to direct out of that loss into the Sydney urban area to try to get it functional—which they say it is not? They have problems with it. You have to have some argument to create a demand that is greater than the demands that they have.

My final part of it is a question I have always asked people in local areas because I am a creature of local government. How are you going to get people on the rail? How are you actually going to convince people to get out of their cars and get on that train? If they do not, what compensation are you going to pay back when it does not work?

Mr Wallner—I do not have a complete answer to that long question, but part of it would be in terms of increasing the number of commuters into Sydney. Some figures that might help are from the early 1980s. When electrification came through to Wollongong in the early eighties, about a thousand people a day were taking that train, and then it increased to between 4,000 and 4,500 people a day around 1990. So that provides some indication of a substantial increase in the number of people using rail to commute. That could be extrapolated. It would be interesting to have the latest data on that as well to see if we can extrapolate it if we electrify the line. That is fairly good growth over a 10-year period. That is partly an answer to that component.

Mr Knowlson—There is a second component to answer, and that is that we have not just relied on state agencies. We, as a community, have worked to develop what we call a transport team for the Illawarra, and we have developed an integrated transport strategy which we are proposing to implement through the metropolitan strategy. That strategy looks at integrating not only rail but also bus, taxi and cycle. We are not necessarily saying here, 'Just give us the money.' We are here saying, 'We've done the work. We know we can do it. We have what we call 'champions' to progress, as far as we can, those various aspects of integration within the Illawarra and through the government agencies.' So it is a matter of saying that the people have told us that that is what they need and we are trying to respond.

I think you will find that there will be an increase, but there also needs to be a look at laterally identifying funds that might not now be used or might not be required for road infrastructure upgrading. From our area, for example, if we develop to the extent that is identified in the urban development program, we will need a six-lane highway to Wollongong. At the moment we have a four-lane highway. We could much better use those funds to improve our infrastructure—the Roads and Traffic Authority supports that approach—looking not only at reallocating funds from road infrastructure development to rail and to better integration of the bus system but also a bus system within the existing road system which provides improved opportunities. So it is more looking at a holistic overview of integration for the whole Illawarra area and looking at other ways of funding sources which mean that you might not have to spend other money.

Mr McDOUGALL—I understand what you are saying, but the point I am getting at is that there is a difference between a person's desire and a person's use. I have been part of a local government that created a bus-rail interchange, a couple of them, in a bigger area than the Illawarra in relation to population, and they still sit there and are never used because, while it was a desire of the people to have it, it was not a desire of them to use it.

You talk about pollution and air pollution. If these projects that you are looking at were to take place, what would be the impact of visual and noise pollution? Have the people thought about that? What will be the impact of that on their lives? Does it need an upgrading or a new rail line to go in? My last experience of a new rail line being put through an urban area was pretty horrific and a couple of people in political life lost seats over it. It does not only happen when people want to put highways in; it also happens when people want to put rail lines in. I come back to this point about desire and use and whether people really understand what they would be getting, if they got it.

Mr Wallner—The important thing is obviously what incentives you provide for people to choose rail or public transport, as opposed to taking their own motor vehicle. Obviously, there needs to be disincentives to choosing to take your own car. That could be through increased fuel taxes or increased parking fees in the city so that there are both disincentives to use your own vehicle as well as the fact that incentives, convenience and choice, all those types of things, are extremely important as to whether people will end up taking road as opposed to rail. Part of the integration thing is that, as long as people know that they can basically get where they need to in around the same time and just as economically as if they went in their own car, people will start to take public transport. It has to be a legitimate and realistic choice.

Mr WAKELIN—Firstly, congratulations on the submission. This is the sort of debate and discussion we need to have. I note you talk about health impacts and safety—it is in your area of discipline. Do you have much more on safety statistics? It does not show clearly through to me.

Mr Wallner—No.

Mr WAKELIN—You have talked about health impact, but safety seems to be quite critical in terms of the overall debate.

Mr Wallner—It certainly is. At the last meeting, our task force is going to be collecting more recent data about truck use on the roads at the moment and also safety and accident data as well.

Mr WAKELIN—You would be aware, Mr Wallner, that we are receiving quite a bit of data but what you have, I think, would be useful in terms of safety. I will just quickly couple the environment issue with the advocacy or I think someone used the word ‘champion’ of the cause. For example, with the environment, certainly in urban areas—Sydney, wherever—you have this pollution issue, but out in the regions you have a somewhat less dense population; therefore it is not an issue. In terms of building the alliances or the advocacy for rail and for alternatives, have you considered the regions? In your own area the impact may not be the same. That is just a small point. That is about all I wish to say, other than the Road Traffic Authority—I am not familiar with the name, but I believe it is the state transport people.

Mr Wallner—Yes.

Mr WAKELIN—When you say they support you and are supportive of that four-lane versus six-lane versus other infrastructure, what form of support does that take? Is it just general soothing noises or does it come in terms of more concrete policy work?

Mr Knowlson—In terms of the integrated transport strategy, the Roads and Traffic Authority have been the coordinator. Their regional planner has been a party to the working group involved in that. They have advised that they would provide some funding towards the project, but again it requires funding from other agencies at the same time.

Mr Wallner—Can I just comment on the statement you made in regard to regions not necessarily being as concerned about air pollution issues as urban areas. It is certainly not the case in the Illawarra where we have special industries. We now have the reopening of the copper smelter, which has really heated up the whole air quality issue down in the Illawarra. I just wanted to add that.

Mr WAKELIN—Perhaps I should respond and say it is not that it is not an issue—I think there is an issue everywhere—but there are varying degrees of it and it requires different responses across the nation. Therefore, it is important to be aware that, when you make a particular solution in one area, it may not suit all models. It is always difficult, but nevertheless it needs to be assessed in terms of building alliances and advocacy for the sort of debate you are mounting. That is all I am saying.

CHAIR—Have you had a needs analysis, a utilisation analysis or a feasibility study on the likely utilisation of rail?

Mr Knowlson—Yes, we had an interchange study undertaken by CityRail in 1993.

CHAIR—Would you like to send us a precis of that, not the whole report?

Mr Knowlson—Yes, there is also a Department of Transport document on the interchange itself which included some commuter and community surveys. I can provide those.

CHAIR—We would like to thank you for your evidence before us today. It is good to have community organisations, and I trust you were not too dismayed if we were a little bit incisive with our questioning but we need to flesh these issues out. So we ask you to provide that other material and, if we have any other questions, we will come back to you and trust you will respond in writing. As you are probably aware, the secretariat will give you a proof copy of today's evidence to review in the near future.

Mr Wallner—So you will write to us in regard to those questions that you wanted more information on?

CHAIR—No, just if we require other information over and above those. I do not think we want the whole of those studies, but if you could give us a page of dot points on each of those two studies as it relates back to this.

Mr HOLLIS—They were going to give a written response on the Maldon-Dumbarton line.

Mr Wallner—Okay.

CHAIR—Thanks again. We will break now for lunch.

Proceedings suspended from 12.38 p.m. to 1.37 p.m.

HENRY, Mr Owen, General Manager, Operations, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000

HICKS, Mr Peter, General Manager, Network Assets, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000

STACK, Ms Judi, Chief Executive Officer, Rail Access Corporation, Level 16, 55 Market Street, Sydney, New South Wales 2000

CHAIR—I welcome the Rail Access Corporation to our proceedings this afternoon. I know you have appeared before the committee before. You understand that, while you are not under oath, these proceedings carry the same weight as proceedings before the parliament and that any false or misleading evidence is regarded as a contempt of the parliament. Do you have any alterations or additions or amendments to make to your submission or will you cover those in your opening statement?

Ms Stack—I will cover those in my opening statement.

CHAIR—Could you give us an overview of your statement for about three minutes? Then we will proceed to questions.

Ms Stack—I will not reiterate what is in our submission. Essentially the submission argues that there is a need for an integrated land transport policy approach and we believe that the federal government should be providing some leadership in this respect. There is a lack of investment in rail infrastructure, particularly in the interstate main line infrastructure, throughout Australia. There is a need to consider the diesel fuel rebate scheme, and there is a need to ensure that each class of road user contributes to its share of road construction and maintenance and that there is a level playing field for funding between road and rail.

I would like to add to our submission that since we lodged the submission the federal and state governments have come to an agreement in respect of the establishment of the Australian Rail Track Corporation. Rail Access Corporation, as the owner of the infrastructure in New South Wales, welcomes the establishment of that corporation and believes that it will provide a new focus on rail federally and facilitate in the establishment of a one-stop shop for interstate rail operators. Having said that, obviously Rail Access Corporation looks to work very closely with the ARTC on the establishment of one-stop shops and harmonisation of commercial arrangements between our infrastructure and infrastructure in other parts of Australia and obviously on the harmonisation of operational standards and safe working standards.

Our view though is that the establishment of the ARTC and the federal government's commitment to spend \$250 million over the next four years is a welcome initiative that I think is going to be beneficial to rail transportation, but it is not an answer

in its own right. Certainly the conference of transport ministers resolved that a priority freight path through the Sydney metropolitan area was a high priority issue. Rail Access Corporation has done a lot of work on the segregation of freight from passenger services in New South Wales.

The last time I appeared before the committee we talked about the complex nature of the rail infrastructure and operations in New South Wales. That segregated freight priority path in our estimation will cost about \$450 million over five years. That is only one small part of the investment that is required to get more freight on to rail. Obviously the federal government level of funds, given all the other competing demands throughout Australia, is fairly inadequate when you look at the magnitude of investment that is required. We certainly have the support of our shareholders in terms of getting more competition on to rail and reducing the costs of rail infrastructure but without significant capital investment in rail the interstate rail network, in our view, is unviable in the long term.

CHAIR—Thank you, Ms Stack. One of the things that troubles me was the comment you made about this freight corridor through Sydney costing \$450 million, if I heard you correctly.

Ms Stack—Yes, that is right.

CHAIR—Why should that necessarily be the role of the federal government?

Ms Stack—Our concern is that in this financial year alone \$1.6 billion, we understand, has been going into the road network. We believe that a land transport strategy, which looks at investment in road and rail and looks at an analysis of the costs and benefits from a wider perspective than just the financial investment criteria that we as Rail Access Corporation are required to make—that sort of analysis and that sort of framework—could well see investments in rail infrastructure and benefits for establishing infrastructure that will enable freight to come off the road network and onto the rail network.

CHAIR—What particular sectors would you see the federal government being involved in? Would you see it being some sort of blanket grant or would you see the federal government providing new sections of infrastructure in much the same way as they do with the national highway system? How would you see that being applied? With a great deal of the freight being concentrated in and around Sydney to the commercial benefit of Sydney and employment and so forth, what other roles would you see for the Commonwealth or why would you see other roles for the Commonwealth in that field?

Ms Stack—In respect of your first question, we think the first step would be for the Commonwealth and the states together to develop a national land transport strategy to examine investment proposals from both the road transport environment and the rail

transport environment in the context of the same costs and benefit analysis so that funding can be directed to those projects where the greatest benefits are going to be accrued. At the moment, as you know, the new capital investment in rail infrastructure in New South Wales, other than the investment by the government by the way of community service obligations to just maintain the current infrastructure, needs to be justified by a financial business case, which effectively means there is very little capital investment going into the interstate freight network.

Certainly, prior to this job my experience was in New Zealand. In New Zealand there was the establishment of a land transport strategy. There was the establishment of a land transport fund for which both rail and road and other types of projects such as bicycle ways or even light rail type projects, all those projects, were essentially considered within the same evaluation framework so that funds from government could be applied to those projects where there were the greatest benefits.

In respect of your second question with regard to Sydney, at the present time rail has quite a high percentage of container traffic between the eastern states and Perth, in the order of 80 to 85 per cent of the available market in terms of market share. On the north-south corridor between Brisbane and Melbourne, Brisbane and Sydney and Sydney and Melbourne—certainly the Brisbane-Melbourne corridor probably offers the greatest economies in respect of operators on rail—our market share is 18 to 24 per cent. Of course the market is much larger. There is tremendous potential on that north-south corridor for an increase in rail market share and obviously a decrease in the amount of truck movements on our roads.

Sydney is the major obstacle to that quite clearly, because virtually all traffic on that north-south route passes through Sydney. There are conflicts with passenger services, not physical but in terms of time tabling and difficulties in getting traffic through the Sydney area. Certainly we have identified and all transport ministers in Australia have identified this as a priority project.

CHAIR—You mentioned community service obligations. Where do you see your role in that particular scheme of things? What guarantees are there that under this new regime the community service obligations will be respected?

Ms Stack—As I said last time, the Rail Access Corporation's business is essentially three businesses. We have the Hunter coal network, which actually makes a healthy return on its investment and has been paying to the government via the rail authorities a monopoly rent component, if you like, which the New South Wales government is phasing out. The other business is our commuter electrified metropolitan business, which is subsidised by the government obviously pretty heavily through its payments to the State Rail Authority, which is our principle customer in that business.

CHAIR—Would about \$650 million be about the right subsidy figure?

Ms Stack—I could not comment on the subsidy figure for the metropolitan business but certainly a part of our access fees to State Rail, which are in the order of \$350 million per annum, would presumably come from a CSO subsidy to the State Rail Authority. The rest of our business is our interstate and intrastate business. That business does not make money because the lines are seriously under utilised and the end market's ability to pay access fees or freight rates, which would sustain the cost of the network, are not there.

So essentially we have been set up in the Rail Access Corporation to break even on that business by a combination of the access fees that we return from our customers, the principal ones being FreightCorp and National Rail Corporation but we have other smaller customers as well, and a CSO payment from the government to enable us to maintain those lines at their current level of operating capability. That CSO does not provide for capital investment. That CSO this financial year is \$177 million. We have a seven-year agreement with the government for the payment of that CSO and we have undertaken to reduce the level of that CSO over the period of the agreement.

CHAIR—But that only maintains the existing network.

Ms Stack—That is right.

CHAIR—It does not add or upgrade?

Ms Stack—It maintains the existing network to a good state and a fit state of repair. I have to say that the New South Wales network is in good repair and is fit for the purpose that is required of it by our customers. We have, for example, probably the lowest percentage of speed restrictions in Australia. It is an adequate amount of money to undertake that task but we fund capital investments off our own balance sheet through borrowings and realistically we can only do that where we are making a return on our assets, so that is in the Hunter. We are making significant investments in the Hunter and have significant investments in the Hunter downstream.

We can invest in the network through operator contributions, for example, by either capital contributions or operators agreements to pay premiums for specific types of investment. National Rail and ourselves are working together on a program of extended crossing loops on the north-south line to enable 1,500 metre trains to run on that route. That program is worth \$1.5 million each.

Mr Hicks—It is net about \$30 million.

Ms Stack—Net \$30 million over the next couple of years.

Mr WILLIS—Ms Stack, I must say that I found this a very useful submission, so thank you for producing it. I would like to ask you about the \$450 million figure that you

mentioned for the investment to have grade separation in the Sydney metropolitan area. I think that is what you said.

Ms Stack—There are several components of that program.

Mr WILLIS—Is it just in the Sydney metropolitan area that you were getting that figure from?

Ms Stack—It is essentially from Cowan through to Macarthur, so it is right through the Sydney area. We are looking at an immediately urgent project to provide a grade separated junction at Flemington, which is where the interface between the new Olympics loop is and the major freight modal movement point in Sydney. That project on its own is about \$30 million to \$35 million. We are hoping to go ahead with that very soon. Our minister has written to the minister for transport about participating in the funding of that particular project.

Mr WILLIS—The federal minister.

Ms Stack—That is right.

Mr WILLIS—So is it dependent on federal funding for it to go ahead?

Ms Stack—I cannot comment on that. Certainly the concept of segregating freight in Sydney was something that was identified by all ministers as being a priority. I would think that our minister would be hopeful that there could be some sharing of the investment between state and federal governments.

Mr WILLIS—Can I take you on to access pricing? Previous witnesses have said to us, and the ones we had this morning made quite a feature of this, that what is needed to get other operators into operating in the business or wanting to operate on rail is that it is critical that they have clear, transparent, posted access prices so they do not have to go into some sort of dark room and negotiate with you as some kind of eventual satisfactory outcome based on what you delightfully describe as ‘willingness to pay’. I have not met any business that was willing to pay any more than they had to.

Ms Stack—I have to agree with that.

Mr WILLIS—You obviously do not do that. You have a system where it is a negotiated process, which is clearly a turn off to the possibility of businesses getting access and taking up rail business who are not already operators. Why do you persist with this process of negotiated rates rather than clear, transparent, posted rates a la AN?

Ms Stack—We work under the New South Wales access regime.

Mr WILLIS—It does not stop you doing that though, does it?

Ms Stack—Which enables us to set rates between a floor and a ceiling, although I would say that there are discussions between the government and the National Competition Council in respect of that regime at the moment. Certainly the negotiate and arbitrate model is a model that is accepted under the competition principles agreement and by the ACCC. Our view is that there are various end markets that can afford different types of rates. We also want to leave the way clear to enable us to establish rates that can encourage new traffic on to the rail system.

I would dispute your proposition that this is in fact deterring operators. We have signed two new operators on to the New South Wales system. I know that both of those operators are very comfortable with the rates they have achieved with us. In fact, one of our operators has said that the rates they have achieved with us are better than they have achieved elsewhere. We are talking to a whole range of prospective new operators. Most of these people if they are genuine and bona fide—they are big boys and girls now—can negotiate quite happily with us in respect of rates. They negotiate to buy their rolling stock and all sorts of other things. I think they can manage in the environment that we have established.

Mr WILLIS—Would you see this system persisting in a nationwide one-stop shop approach for access pricing?

Ms Stack—I actually think it is the best system, because it is quite clear that there are different abilities within markets to pay. We have seen quite a lot of downward pressure in freight rates, particularly since rail reform was established in New South Wales in July 1996. Much of that has been the response of the incumbent operators to the threat of competition. Certainly, from our point of view as the infrastructure owner, we have a mandate in respect of competition under our legislation, but competition for its own sake does not do anything for our bottom line. What is important to us is that we get new traffic onto rail, and that means that we want to be able to make our pricing attractive to do that.

The other issue in respect of pricing is that we will be moving over the next 18 months or so to differentiate our pricing to get more efficient utilisation of the network—in other words, off-peak prices to get to price in respect of various types of rolling stock as to what sort of damage they do to the infrastructure or how friendly they are to the infrastructure, to price in respect of key performance indicators. We have virtually finalised with National Rail in our access agreement a set of key performance indicators which require us—and National Rail to perform at a certain level. There will be financial penalties and other incentives to enable us to perform to a certain standard and for them to run their trains to a certain standard. All of those sorts of efficiency pricing mechanisms need to be available to us if we are going to really get the most effective use out of the infrastructure.

Mr WILLIS—I think you said it is only in the Hunter Valley where you have the export coal market that you actually get an access price which gives you a rate of return on the capital invested. But you did say that in other cases you have negotiated with operators to make a capital contribution. You mention National Rail: how does that actually work? What is in it for National Rail? I suppose they get a capital expenditure that they think is required—but what does this actually do to their access prices, for instance? Do they change as a result, or is it just a straight-out outlay by them? Is it a shared arrangement with you: you pay some and they pay some? Or is all their contribution? How does it work?

Ms Stack—Again, it is a negotiated arrangement, and our negotiations with National Rail are not quite complete on this and are confidential to us and to National Rail. But I could take you through the principles. There are a number of things that can be done with the infrastructure that provide significant operational benefits for our operators but do not necessarily provide any additional revenue to us. In other words, if National Rail wants to run a longer train, they will save on crewing costs, locomotive fuel costs and so on, but it does not necessarily mean they are going to be carrying any more goods. So they will get savings which will enable them to build profitability into their own business but it is not bringing any more GTKs onto the network. So it is not an investment we would be likely to make on financial grounds, even if we were getting a return. We may look at it differently if we were working within a cost benefit type of framework.

So, in that case, there is a discussion between us and the operator as to what sorts of levels of investment and contributions and, again, a negotiation as to where those benefits might flow. In the Hunter, there are a number of investments that we are currently finalising business cases on where quite clearly our investment will result in higher volumes being able to be delivered across the network. So, therefore, that is an investment where we are going to get a return and we will put the money in.

We have announced an extension of the Hunter Valley system—a 17-kilometre extension—where that is the case and we are funding that completely. There are other types of improvements that might, as I say, give FreightCorp, who is the operator up there, efficiency improvements and save it costs in terms of its operations where we might be looking for either a contribution or some sort of premium on the access fee so that that investment can go ahead.

Mr WILLIS—Do you expect many more of these operator contributions or is this a bit of a one-off?

Ms Stack—Yes, we do, and it goes the other way too. We have signed a seven-year agreement with SCT and they are looking to develop a terminal at Kelso near Bathurst. We, in fact, are to invest \$500,000 in connecting that terminal up. So they will pay for the terminal and we will pay for the connection. So really it is a matter of what is in the best business interests of each of the parties and looking to place the investment

where the benefits are going to flow and also apportion it with respect to the risks.

Mr McARTHUR—I would like to raise four issues, and a couple are a bit the same. Can I just get a further statement on your attitude to the National Track Authority? You said that it was a good thing that they were being established and introduced. I would just like to get a feel for your corporation, its relationship to the federal corporation and how you might integrate and cooperate because obviously there will be a bit of a conflict of interest in terms of the return and attitude to some of the track.

The second one is the criteria for entry. You have talked about this both in your previous appearance before the committee and in your discussion today. I am at some loss to understand how you establish the commercial and somewhat political, I suppose, criteria for operators to join the network and how you negotiate. On what basis do you negotiate?

That really leads to the next point of the fact that this committee would be aware, and everyone would be aware, that there has been a lack of capital injection into the network. I note that the Premier and Treasurer are part of your board, so there would be a great incentive for your corporation to extract as much as you can out of the users. How do you resolve that conflict where on the one hand you have Treasury in New South Wales saying, 'We have to get some more money to inject into the network,' and on the other hand you want to get a price so people use it?

My other comment is that we have had evidence before the committee from a couple of witnesses that they would prefer to have an integrated rail structure—that they own the rail, the supporting stations, the yards, et cetera—rather than be part of the access regime. Their view is that it will be another regulatory authority, that it will be exactly the wrong way to go. They are fairly strong on those views. Would you care to comment on that?

Ms Stack—As I said, we have welcomed the ARTC. We have agreed to novate our interstate access agreements to the ARTC, providing our customers also agree to do that. The agreement between the ministers ensured that there would not be any financial disadvantage to those participants in the industry. So we would be expecting that that would not affect our revenues in any way, also that it would not disadvantage the capability of our intrastate customers to get access to that network.

The way in which the ARTC is being proceeded with is certainly going to meet those criteria in terms of the minister's criteria. We believe that we do need more focus on rail nationally, and I think the ARTC is going to be able to achieve that. Certainly, the whole issue of harmonisation of standards needs to be accelerated, and we are going to be working cooperatively with the ARTC on that.

In relation to your second question in respect of the criteria to entry and your suggestion that there was a political process, basically we have a policy with respect to

how we negotiate with prospective operators. We require them to, firstly, be capable of being an operator in the sense that they can be accredited under the Rail Safety Act and, obviously, proving to us initially that they have the bona fides to do that and to operate a business.

Having said that, that is really the only criterion which someone has to meet to enter into discussions with us. We have discussions with up to 40 different groups at any one time, including heritage operators—a large number of heritage operators—on access to the network. So there is no basis that, yes, we are going to pick winners or anything like that. Anyone who can become an accredited operator under the Rail Safety Act and pay their bills can get access.

We treat like-for-like traffic on exactly the same basis in terms of price. If somebody wants to haul a container between Sydney and Broken Hill, it does not matter who they are, they will pay the same price as everyone else. But if they want to haul something different, such as automobiles, they might pay a different price. But two people wanting to haul automobiles will pay the same price. We are pricing on a like-for-like basis on an end-market determination of ability to pay.

As to your third question with respect to the lack of capital and the conflict that might exist between a requirement to optimise revenues and profits and a requirement to reduce the amount of expenditure on the network, the Premier and Treasurer are in fact our shareholding ministers; they are not on the board of the Rail Access Corporation. The board is a government-appointed board, appointed by the Treasurer and the Premier, but they are a commercial board and have the same sorts of accountabilities and responsibilities that directors of any other corporation. As directors of the corporation, and as the chief executive of the corporation, obviously we have accountabilities under the state-owned Corporations Act to run our business in an ethical and commercially sensible way.

Our view is that we need to keep prices at a level which the market can pay so that we can increase traffic; that is what is going to be best for our business. Certainly it was the Rail Access Corporation that worked very hard early on in our existence to convince the state government that we needed a long-term underwriting of the network in order to be able to enter into long-term agreements with our customers so that they would have some certainty about their own business investment plans.

In respect of a vertically integrated rail structure, I manage the Rail Access Corporation under government legislation and, in New South Wales, there has been a decision to disaggregate rail infrastructure. Personally, I believe that structural models are just that. You can make any sort of model work. I think rail reform has been a success in New South Wales because the old State Rail Authority was a very large, cumbersome organisation with a very wide set of responsibilities and, quite honestly, very poor management systems. I think that the disaggregation of rail in New South Wales has in fact created four new organisations with a much greater focus on what their core business

is. Management information and management systems have improved. When we started at Rail Access Corporation, we did not know what it would cost to maintain the network let alone parts of the network. Obviously that sort of information is essential if we are going to manage this business smarter and better.

I would not say to you that one model—the Queensland Rail model or the New South Wales model—is better than the other. I think both can work very well. I think rail reform is working extremely well in New South Wales in terms of the efficiencies that we have brought to bear and reductions in the costs of maintaining the system in the short period of 18 months of our existence.

Mr McDOUGALL—I would like to come back to the little girls and boys in the dark room and how good they are at negotiating.

Ms Stack—Big boys.

Mr McDOUGALL—What? Little girls and big boys?

Ms Stack—Big boys and big girls.

Mr McDOUGALL—You said I think that they were quite capable of negotiating and they were quite capable of going to an alternative. Other than road I do not know that they have got an alternative other than the access regime that you head up. So I do not know how flexible they really are in relation to getting competition. What sorts of statutory powers and abilities has IPART got to be able to control you?

Ms Stack—As I said, we have to operate within the rail access regime which has been established by the government. If an operator is dissatisfied with our treatment of them or our approach to pricing in respect of their particular operation, they are free to take us to IPART to arbitrate our determination of prices.

We have been to IPART on one occasion. That was where we said to the National Rail Corporation because we could not agree on prices very early on in our agreement, ‘We want to go to IPART,’ and we jointly referred our dispute to IPART. In fact, we managed a negotiated settlement which IPART essentially rubber-stamped at the end of the day.

Other than that we have not been taken to IPART by any of our customers, although quite clearly one of our prospective customers has gone to the NCC in respect of the declaration of the lines in New South Wales. The Premier has not—what is the word?

Mr McDOUGALL—Refused to declare?

Ms Stack—I do not know if he refused to declare; he has declined to declare. I

think the whole process has been quite healthy and useful. For Rail Access Corporation's part, where we have been participating in discussions with the NCC, we are operating in virgin territory here. This has not been done before. The NCC, IPART and the various governments are working to establish fair and reasonable systems of access and facilitate competition. It is really only by testing some of these things in some of those fora that we can come to the best solution. I think all of the parties have had that as their objective and I think we are working quite cooperatively to get to that objective.

Mr McDOUGALL—It has been put to us by one person in evidence that it was a waste of time going to IPART. I asked FreightCorp if they charged prices to allow cross-subsidy to the benefit of other sections of the New South Wales railways and they said categorically no. You have said here today that your access charges do allow for cross-subsidy.

Ms Stack—No, I have not said that.

Mr McDOUGALL—Well I must have misunderstood what you said here earlier—that you actually do have pricing that allows a price where you can pay back a dividend to the government. I would call paying back a dividend a cross-subsidy because you are giving money back to them for other purposes. On that basis, why would one section of this rail organisation in New South Wales be able to charge a price that would allow that to take place when another says that they do not do it? If we are to be competitive on an international market and a customer is getting charged through one regime a price that is cross-subsidised—I put it to you—and the other section of the same organisation doesn't do that, isn't that potentially making them uncompetitive on the international market?

Ms Stack—Firstly, let me categorically assure you that we do not cross-subsidise. The Rail Access regime precludes us from cross-subsidising. In fact, in respect of a group of users or a user on a particular line segment or segments, we must actually recover not less than the cost of maintaining that line sector or group of line sectors, and not more than our ceiling return on our asset. So that means that we are unable to charge—perhaps I could explain it by taking a piece of track—

Mr McDOUGALL—Why don't we look at the Hunter Valley?

Mr McARTHUR—But you said that you did not know what the costs were, if I might interject—

Ms Stack—No. I said I do know what the costs are now.

Mr McARTHUR—You do know now?

Ms Stack—Yes I do. I know precisely what the costs are.

Mr McARTHUR—For every bit of track in New South Wales?

Ms Stack—That is right, every line sector.

Mr McARTHUR—Cost recovery, historical cost, current capital cost, or what?

Ms Stack—The current and long-run cost of maintaining that asset in its current state of repair. I know precisely what that is. If there is only one user of a piece of track then that person must pay at least the current short-run and long-run cost of maintaining that track—at a minimum. At a maximum, it is the current cost of maintaining that track, plus a return on the asset. In the Hunter, that return on the asset is 14 per cent. We are achieving that in some of our sectors.

Mr PETER MORRIS—It is 14 per cent on some of the sectors in the Hunter?

Ms Stack—Our maximum rate of return is 14 per cent across the entire network. The only place we are actually achieving that is in some of the sectors—class 1 lines—in the Hunter. So we are not cross-subsidising, because the CSO comes in below the line as a contributor to the cost. Essentially, we are charging our operators at an end market ability to pay where they all contribute to the maintenance—the long- and short-run maintenance—of those line sectors over which they are operating.

Mr McDOUGALL—I will just change place, from the Hunter down to Botany Bay. It is said by FreightCorp that they want to increase the container carrying out of Botany Bay from 12 per cent to 30 per cent of the market. Considering about 80 per cent of the containers coming out of Botany Bay do not go outside the Sydney metropolitan area, what—as an Access Corporation interest—would you see as capital investment into that? Would you believe that you would pick up that sort of volume in the market, which I would presume would be fairly much dispersed across the metropolitan area?

Ms Stack—Peter might want to talk about this. We are participating in a study being undertaken by FreightCorp and the Sydney Ports Corporation.

Mr Hicks—There is an opportunity to create an inland terminal within the metropolitan area for containers to be taken from Botany to a better connected road-based area for dispersal of the containers. Obviously that would increase the utilisation of existing rail infrastructure. We would be looking at making an investment to help that along.

Mr McDOUGALL—Would you agree with those figures of about 80 per cent of the cans staying inside the metropolitan area?

Mr Hicks—Yes.

Mr McDOUGALL—If 80 per cent of the cans are staying inside the metropolitan area and, let us assume that the same thing is happening in Sydney and Melbourne, why then do we need an interstate freight line for containers between Melbourne and Brisbane? Where is the volume?

Ms Stack—I would have to take on notice the question of the exact numbers, I am sorry.

Mr McDOUGALL—I prefer that you do, because I think it is a very interesting question. You said you are interested in upgrading track—you are interested in the Commonwealth funding upgrading of track to create a seamless freight line between Melbourne and Brisbane—and you see a benefit, as an access corporation in New South Wales, for that. I am trying to come to grips—whoever invests, whether it is state, federal or both—with what the economic return is for doing so.

Ms Stack—As I understand it, 80 per cent of the containers that are exported through Port Botany come from the wider Sydney metropolitan area. However, the rail network currently only has between 18 per cent and 24 per cent of general freight container traffic between Brisbane and Sydney and Brisbane and Melbourne.

There are significant volumes of interstate and intercity container traffic. It is not the export containers; it is the intercity containers which are currently carried on road. Those market share numbers are correct. I can provide you with the actual numbers of containers and GTKs, which I have back at the office. I can provide you with those, if you are interested.

Mr McDOUGALL—I would certainly appreciate that.

Mr WAKELIN—In its submission, FCL suggests that CSOs made available to the rail industry should be granted for the proposed access authority and not the train operator so that fair competition be maintained. Do you have a reaction to that principle?

Ms Stack—If I understand what they said to be that the CSOs should be paid to the access authority and not to the operators, we agree with that.

Mr WAKELIN—What advantage do you see?

Ms Stack—When we were first established, it was originally the New South Wales government's intention to pay the CSOs to the operators. That made it impossible for us to price on any fair and reasonable basis under the competition pricing arrangements. As I said, we are working with a brand-new marketplace here and a brand-new area of competition policy. The government quickly realised that that was the case, and so the CSOs are now being paid to us as the track owner.

Mr WAKELIN—If CSOs are reduced, and I think it talks about some agreement of \$170 million over seven years, what impact do you expect on the rural and more remote areas?

Ms Stack—We now know the costs of rail infrastructure maintenance. At the time that we took over the ownership of the asset, it was inflated due to poor management and work practice and inappropriate scope by the order of between 30 per cent and 40 per cent. So our objective as a corporation is to bring our cost base down to between 30 per cent and 40 per cent. The agreement that we have with the government is to give them only a part of that back. We intend to apply the other part of that saving to a return on our investment to potentially allow capital investment by us and, where appropriate, rate cuts to our customers.

Mr WAKELIN—You mentioned potentially a freight corridor at \$450 million, I think. The analysis was made that that is what would bring it up to a satisfactory standard over a significant period.

Mr Hicks—The proposal that we would put is that if you just examine from Macarthur to Cowan, which are the two limits in the Sydney metropolitan area, currently of the order of 35 per cent of that track is dedicated to freight; there is no passenger traffic. If we were to spend of the order of \$145 million, we could get almost 60 per cent of that track allocated to freight. If you wanted to lift it to 100 per cent of the track allocated to freight—in other words, a freight-only path with no passenger interruption at all—it would cost \$450 million. At the transport minister's request we looked at these various options and, as you say, for \$145 million we could get almost a doubling of the freight-only track through the Sydney metropolitan area.

Mr WAKELIN—But you also talked of a \$30 million to \$35 million project which would do something more immediately?

Mr Hicks—That is part of the \$145 million, which is the grade separating the junction outside the Olympic area.

Mr WAKELIN—Appreciating that I do not understand how the timeliness might work, I presume the timeliness is certainly a part of the factoring in getting it up to 60 per cent for \$145 million—that is in terms of your scheduling and in terms of matching the requirements of your customers.

Mr Hicks—At the moment we almost have a curfew in terms of freight and passenger peaks coming together. By spending this money we can also allow freight trains through at the passenger peak.

Mr WAKELIN—You mentioned that at any given time 40 operators are discussing access. I also understand they include a number of small operators in local freight.

Could you give us some examples of those operators and their place in the marketplace? Are they local, regional or urban? What is the nature of these operators.

Ms Stack—The operators which we have signed include SCT—which I am sure is giving evidence in front of this group; they are a trucking and rail freight forwarding business—and Austrac, which is a more regionally based, smaller organisation that is operating out of Junee. The Northern Rivers Railroad has come on to our network as a sub-contractor to FreightCorp; that is a smaller, regionally based corporation. In the Hunter we have strong interest from rail operators which are not operating in the Hunter at the present time and from other corporations which are the owners of diversified businesses which include logistical and transport segments and some foreign-based transport companies.

CHAIR—What is the quickest negotiation you would have for access? How long would a person expect to negotiate with you?

Ms Stack—GSR, Great Southern Railways, which acquired the *Indian Pacific* and the *Ghan* in November last year—

CHAIR—What about a new player?

Ms Stack—They are operating on our network but they did not have an agreement with us.

CHAIR—But they were taking over an existing service, weren't they?

Ms Stack—We never signed an agreement with AN because they still had an agreement with the State Rail Authority which was never an access agreement with us. Great Southern Railway came in and signed that agreement last week. But we are not yet a signatory to that agreement.

CHAIR—I do not doubt that you have done that quite appropriately. I am more interested to know—leading off from Mr Wakelin's question—how long it takes a new player who comes into the field and has not been traditionally in the rail business to gain access.

Ms Stack—It took us a long time with Specialised Container Transport: about 14 or 15 months. There were a whole range of issues though. We have been talking to the same parties about access in the Hunter since the day we were created. That is not because we cannot reach an agreement with them; it is because they have not won any contracts, for example.

Rail operators have to go and win contracts effectively before they can set up a service, and they are going out into the marketplace and competing either with National

Rail or FreightCorp or with road transportation companies to get contracts. They are talking to us and they are not signing agreements until they have got guaranteed traffic.

CHAIR—Coming back to the point of National Rail and the fact that you have negotiated pathways for 17 or 20 years—

Ms Stack—No, with National Rail we have a shorter term agreement. With SCT we have a seven-year agreement.

CHAIR—What is the length of time with National Rail?

Ms Stack—I do not think I can disclose that.

CHAIR—Why is that?

Ms Stack—I would be more comfortable if you asked National Rail because that information is confidential.

CHAIR—Let me put it this way. Has that been an inhibiting factor to other people seeking access?

Ms Stack—The length of the incumbency?

CHAIR—Yes.

Ms Stack—The fact that anybody who has currently got an access agreement with us has what are called mandatory freight paths on our network—and those are guaranteed by us—obviously creates a constraint on capacity where parts of the network are capacity constrained. For example, on the north coast line where there is significant constraint on capacity, obviously we can only sell those train paths that we have not got services running on at the moment. But that is not just National Rail and FreightCorp. It is our other customers such as CountryLink, Australian National and the CityRail services themselves.

CHAIR—I suppose what spins off that again and comes back to where we were right at the beginning of this questioning is that there is a perception—rightly or wrongly held—that because of the lack of transparency there may be some sort of sweetheart deal or some people may have such a favoured initial position in the market that others are inhibited from participating. How would you comment on that?

Ms Stack—I do not know. I have been involved in a lot of industries which have been deregulated. I used to be in the media industry and the telecommunications industry and there is always a lot of distrust when you are dealing with new entrants and incumbent players. There certainly is in the media. There certainly has been in the

telecommunications industry and I do not think this industry is any different. New entrants basically believe the incumbents have an advantage and potentially have cosy, sweetheart deals with the regulators or those who decide the fate of the allocation of resources.

It is reasonable that, if somebody is operating a business—such as National Rail—they continue to have the rights to operate that business under a new restructured rail industry and, providing they pay their way, they continue to have the train paths they have historically had. I do not believe that it would be reasonable or fair for us to say, ‘All right. It is all up for auction at this point in time’—like a spectrum auction. The government is not doing that with digital broadcasting or changes in structures in these other industries.

I think the approach we have taken is that it is business as usual. We are trying to make it more transparent in terms of paying a cost for the access to the infrastructure, which is certainly, I believe, leading to more efficiencies and cost reductions in the management of that infrastructure. But to say that National Rail’s train path should be available to new entrants I do not believe is a reasonable basis on which to proceed.

CHAIR—Sorry to cut in on your questions, Mr Wakelin.

Mr WAKELIN—No, that is excellent. The transparency, as the chairman said, is of concern and you would be well aware of that concern. In terms of National Rail, which you acknowledge eventually negotiated out with an arbiter—

Ms Stack—They did not want to pay anything.

Mr WAKELIN—I understood that Access wanted a fair bit, too. I just have a couple more things. Does the state Corporations Act provide anything on the way you operate that you believe would be useful to the committee? Is there anything that you have to comply with there?

Ms Stack—We have to run the business on a commercial basis, and we invest on a commercial basis. Essentially the governance of the organisation is exactly as it would be in a private sector type organisation with the exception that we have a statement of corporate intent, which is an agreement with our shareholders each year as to what our performance will be.

Mr WAKELIN—I asked the question because I am just trying to understand why it is different from the normal Corporations Act. What is different between the state-owned and the normal Corporations Act?

Ms Stack—There is not a great deal of difference in governance terms, but the state-owned Corporations Act sets out how the board and the organisation is accountable to its shareholding ministers. It sets out means by which those ministers can direct the

corporation, the reporting structures and so on. So to all intents and purposes, it is very similar to a normal corporation.

Mr WAKELIN—You make the point that you believe rail freight will increase market share in interstate freight at the expense of road freight in the future. That is a positive statement. We accept that reform is occurring, maybe not as fast as some would like, but could you give us any other point as to why you are quite bullish about that?

Ms Stack—I think we are pretty confident that we can get the cost of maintenance of the infrastructure down. That is going to create efficiencies. In our view, the competition and the threat of competition is certainly delivering above rail efficiencies. There is no question in my mind that our principal customers, FreightCorp and National Rail, are behaving in a more aggressive and commercial and progressively more efficient way, aggressively seeking business that has not traditionally been on rail. Certainly I think we still have significant constraints in respect of the infrastructure and the availability of capacity to be able to accommodate that growth. As I said at the beginning, I believe we should be looking at that within a framework of the whole national land transport investment criteria.

Mr WAKELIN—With the SCT, are you totally happy that the negotiations there are as kosher as they can be? Are they consistent with other access?

Ms Stack—You can ask them that. I basically believe that if you ask that—

Mr WAKELIN—In terms of the link, you make the point it is apples with apples and that is the way you do it.

Ms Stack—Yes, that is absolutely correct.

CHAIR—I have one point that leads off Mr Wakelin's last question. Notwithstanding the difficulties in Sydney, where we have talked about this \$450 million, how do you see the existing utilisation of capacity being increased? Can it be increased? Is the bottleneck in Sydney a total inhibitor or is there room for other increases in business?

Mr Henry—The bottleneck in Sydney is the main problem at the moment. Different routes have different capacities. The north coast, as Judi has said, is quite restricted. It is a single-line track from Newcastle to Brisbane. The main south still has some capacity and the main west has plenty. The options for improving capacity occur in infrastructure investment, length of loops to provide for different types of trains, consolidating trains from shorter trains to longer and improvements in trains themselves. You can improve capacity by having trains all of the same type of performance rather than slow and fast. Similar speed trains improve capacity. You can improve the track capacity by easing grades, by changing alignments, by changing signal headways, safe working—

CHAIR—Is it within the capacity of New South Wales to do all that, or does that also require some sort of over and above funding from perhaps the Commonwealth?

Mr Henry—It is certainly is a railway owners' activity.

Mr PETER MORRIS—What about double stacking?

Mr Henry—Double stacking is a great option, but there are infrastructure restrictions through some of the old tunnels, particularly close to Sydney, and the overhead wiring in the metropolitan area is a big problem with double stacking, but certainly it is an option.

Mr PETER MORRIS—That is the biggest productivity improvement, isn't it?

Mr Henry—We can do that. At the moment we do that west of Parkes where there are no restrictions, no overhead bridges, but again closer to Sydney it is a problem. Bringing it to the terminal as a double stack is a major issue. You cannot do it.

Mr Hicks—One of issues that we are addressing in particular is an improvement in systems and the way we control trains, train radio systems and the way that we operate the trains across our system. That is one of the biggest areas for productivity. The management of the trains and the systems we use to manage the trains is the area we are looking at. Certainly that is where our focus is.

Mr WILLIS—Towards the end of your opening statement, Ms Stack, you said that unless there were major changes, then the system probably would not be viable in the long term. I suppose one could say that it has never been viable in a sense because it has always made some large losses. Did you have something worse in mind? Do you see the whole thing as basically not being operational unless there are major changes to things like truck pricing, government investment in rail infrastructure, et cetera?

Ms Stack—I do not think that we can continue to improve service ad infinitum on current funding levels to a point where rail is ever going to be able to stand on its own feet and rail operators are going to have the reasonable expectation that there will be investments and improvements in service. Certainly, it is viable now. It will viable as long as the government continues to pay a CSO payment to support it. But to be viable as an industry, there has to be some prospect that we can continue to improve service levels and continue to reduce our cost base. Those sorts of infrastructure improvements and capacity improvements are vital in my view for markets to have a level of confidence in rail operators that substantial proportions of their freight can be carried over rail.

Yes, it is viable. We are in a sort of stasis situation. We can make some changes to cost and management systems, but the sorts of things Owen is talking about, such as changes to curvature, double stacking, route changes, significant changes to loops and the

Sydney metropolitan capacity constraints, those constraints cannot be dealt with under the current funding framework.

I would argue that there is no historical rationale—other than effectively a political one—for treating investment in roads and rail any differently. Ideally, you would like to see pricing of roads so that you have financial decisions being made in the road infrastructure, but realistically, we are looking at governments making decisions about investment on the basis of wider economic benefits. In rail that is not the case. I think that our nation would be well served if that was changed.

Mr WILLIS—I take it your position is that, unless there is major change particularly in investment and truck pricing, et cetera, you are not going to get a reversal of the current reducing share of the freight going to rail?

Ms Stack—I think we are going to be boxing around the edges, but I do not think we are going to get a significant breakthrough in road/rail market share. I do think that there will be increasing pressure as more and more B doubles and B triples come into places like Sydney and other metropolitan areas for governments to rethink this whole issue. It would be nice to think government might anticipate that and be ahead of what I think is probably pretty inevitable, that is, some community pressure—and there already is in western New South Wales—to get more freight off roads and onto rail.

Mr McARTHUR—Can I request that you give us a two-page statement on the valuation of your assets. You made the assertion that you were looking for a 14 per cent return. I find that surprising. It depends on how you value the assets of the corporation. You might incorporate in that the ballpark figure of the amount of money that would need to be invested to bring it up to a reasonable state of operational efficiency.

Mr PETER MORRIS—The submission from FCL says:

We do not see a rail industry obtaining benefit in governments and government departments giving ‘freebies’ to new players like SCT Transport or Austrac.

SCT has been successfully winning business from the quality Sydney/Perth rail corridor by transporting freight by road from Sydney to Adelaide then by rail to Perth. This action demonstrates the insanity of giving SCT below cost rates.

Can you add something to that? Has there been special treatment or freebies given out to SCT? If the new arrangements result in freight leaving rail to go to road as part of a total journey, is that the objective you are after?

Ms Stack—I do not think that is going to be the result of our agreement with SCT. SCT has not started operating in New South Wales yet because, whilst they have an access agreement, they have not finalised their terminal facility at Kelso near Bathurst and they have been working through that, as I understand it, with the Bathurst council. You

would need to talk to them about where that is up to. Certainly, their intention is to run trains through New South Wales and to increase—

Mr PETER MORRIS—At this stage, obviously then, it is bleeding off the Sydney-Perth route.

Mr Hicks—But they do not have a development approval from the council for their depot. They are trying to establish a depot there to load their trains. They currently have a development application with the council, which is yet to be approved.

Ms Stack—They have always been a trucking and a rail operator.

Mr PETER MORRIS—I read what you say in paragraph 3.1.1 of your submission about expenditure on rail and road over 20 years. I am surprised at some of that because, from the point of view that it says that kind of expenditure pattern is historical and related to when federal governments, through the general revenue grants, were funding rail losses, in fact some witnesses have said that FreightCorp, instead of funding losses, now wants that investment directed to improving the system. I do not see that as being an accurate comparison. The lack of investment railways seem to me to be related more to state priorities. What percentage of your business is directly related to interstate rail services?

Ms Stack—Interstate rail services are about 30 per cent of our GTKs and represent less than five per cent of our revenue.

Mr PETER MORRIS—So you cannot justify expenditure. If you double your interstate traffic, it goes to 10 per cent of your revenue or 12 per cent of your revenue.

Ms Stack—It is going to take a long time before we can justify significant investments on a financial return basis.

Mr PETER MORRIS—Your GTKs will be distorted because the journeys are so long.

Ms Stack—No.

Mr PETER MORRIS—The tonnages can be small but, because the journey is so long, the multiplication gives you a big number even on that basis.

Ms Stack—It is also that they pay a pretty low rate because that is all they can afford. They pay a lower rate, which is why their GTKs—

Mr PETER MORRIS—Is it not a fact that journeys of that nature relate more to the nature of the product, that it does not have to be there in a hurry? It can be there

within a day or a couple of days; it does not make much difference. It is the nature of the product you are carrying rather than the price of the service.

Ms Stack—Reliability is a big factor, from our understanding, rather than time. Reliability and price are the key drivers of the business.

Mr PETER MORRIS—I have difficulty understanding the comparison you drew between container movement by rail east to west—you said 85 per cent—and container movement north to south by rail, which is about 18 to 24 per cent. But as I listen to you, it seems to me—you could correct me, please—that that was relating more to the congestion of getting through the Sydney rail system rather than price. If the price from east to west is competitive and you are getting 85 per cent of the trade, there cannot be such a price differential that that is the major influence on a north-south movement when, in fact, there is more movement north-south than there is east-west.

Ms Stack—Certainly, the longer the haul in rail, the more competitive we are against road.

Mr PETER MORRIS—So we come back to this Sydney congestion problem again. That is really the main thing, isn't it?

Ms Stack—Well, the Sydney congestion is one thing. It is the ability to get through reliably, and that is where Sydney does pose a problem, because if a freight train misses its entry to Sydney by five or 10 minutes it could miss it for three or four hours. So it is that reliability factor—and all of our research shows that the key drivers in this business are reliability and price. With price, at the current rates rail can compete over long hauls. So Brisbane-Melbourne—

Mr PETER MORRIS—All I want is for you to say, 'Yes, the main factor in this differential is really the difficulty of getting through Sydney in a reasonable time.'

Ms Stack—It is a significant factor.

Mr PETER MORRIS—You might enlarge upon that another time. If we come back to the Hunter, Rio Tinto is saying that with the expenditure investment up there that is to take place into two mines they had a concern that it seemed that that expenditure would have to be shared across all of the coal rail users in the Hunter. Are you able to confirm that, or that it is otherwise?

Ms Stack—We have a capped rate of return in the Hunter, which is 14 per cent. Certainly, our part of the investment in the Hunter coal chain is something that is factored into that rate of return amount. Notionally, if we invest more, then we can charge more, because we are getting a return on a higher valued asset.

Mr PETER MORRIS—The point they are making is that this is a specific loop line that goes out to exclusive service of two coalmines only. One could understand that they already pay for that segment of the line that is part of the total system, but they are saying that other producers are being required to help pay the cost of that loop going out to those two mines only.

Ms Stack—We have a commercial agreement with one of those mines that is at the end of that loop—which I do not want to disclose. But I can assure you that the traffic that is on that line will be paying for that line.

Mr PETER MORRIS—Well, put it the other way around, and say that other users in the rail system in the Hunter are not being called upon to make a contribution to the cost of constructing the route.

Ms Stack—That's right.

Mr PETER MORRIS—I think that answers the concern that Rio Tinto was putting to us. The last matter is: the more I listen to your colleagues this afternoon, the more it becomes clear that much of your problem, particularly from your last comment, is the actual use of the infrastructure, not the quantity of the infrastructure. Mr Hicks made the comment that the greatest area of potential productivity improvement is in the management of the system. Can you just go a bit further on from that, Mr Hicks, in relation to the interfaces between rail and road and sea. Is there a similar potential for productivity improvement?

Mr Hicks—I was making that comment because, given that we had a certain amount of infrastructure and that was fixed, one of the ways to improve productivity out of the existing infrastructure was the better use of systems. I do not think that is at odds with the fact that we are saying we need additional infrastructure through Sydney. But in relation to port-road-rail interface we are working with a number of the port authorities to improve our interface at the ports. So we are working very closely in the Hunter Valley, as you are probably aware, to try to improve the interface with the port.

Mr PETER MORRIS—I took a great deal of note of what you said, and I wrote down that you said, 'Management of trains through the system is the greatest area of productivity improvement.' That is correct, is it?

Mr Hicks—Yes.

CHAIR—Thank you, Ms Stack, Mr Hicks, and Mr Henry, for your appearance before us today. No doubt you will follow up on that request from Mr McArthur. If we have any other problems, no doubt we can contact you and you will respond in writing, if possible. As is usual, the secretariat will provide you with a proof copy of today's proceedings.

Ms Stack—Thank you.

[2.50 p.m.]

CRAIG, Mr William, President, Campbelltown and Districts Commuter Association, c/- 8 Terrigal Place, Woodbine, New South Wales 2560

CHAIR—Welcome. Mr Craig, as you are probably aware, in these proceedings you are not under oath, but the proceedings carry the same weight as those of the parliament. You would be aware that any false or misleading information is a breach of privilege. I just have to caution you on that. Have you any additions or alterations to make to your submission or will you pick those up in your overview?

Mr Craig—I do not think so. All the information is, to the best of my ability, in these sources.

CHAIR—On that point, would you like to give us about a three-minute overview of your submission? After that we will launch into some questions.

Mr Craig—Thank you for the invitation to appear before this inquiry. I would like to apologise for the poor submission because of the late entry time that was available. My personal reason for becoming interested in transport affairs is that all my children have asthma and I would like them to have clean air to breathe. We live in Campbelltown, the air cesspool, if you want to say that, of Sydney.

We are basically running out of oil and there are no large-scale alternatives for road transport. If we do not stop now and start conserving, there will be a lot of things we will not be able to do in the future. Ninety-seven per cent of our transport system is dependent on oil products for fuel. Transport diversification ensures immunity from dependence. Rail offers the only cheap method to provide this diversification on land. We have an abundance of coal and there is plenty for the foreseeable future. From the information available, we have under 15 years to do something about it.

Some parts of my presentation were to demonstrate that the rehabilitation of the east coast rail path in particular could have dramatic results if efforts were strategically placed in the areas of greatest need first, that is, the areas that waste fuel and time and wear equipment excessively. This has been done for the road system for many years. An example is north of Milton, where recently a rather circuitous path around a mountain from the Pacific Highway was replaced with a bridge and a shorter faster alignment for the road. Following up with applications of advanced rail passenger vehicle technology, near to twice air transit time from door to door could be achieved for intercapital passenger travel. This reasonable performance could be achieved for far less than the cost of high speed rail, even, and would operate in an economical manner. Freight could be transported faster than present passenger services on the same alignment.

We also must mention the need for fixed passenger transport systems in the cities,

especially in the west of Sydney. Just five per cent of people go to work by public transport in western Sydney. If school children are taken out of the bus statistics, their effect is negligible as an alternative to the car. Nearly 10 per cent of people live within one kilometre of a rail service. This is oriented for travel to the Sydney CBD, where jobs have decreased by 33,000 since 1966. Bus-train-bus as an alternative to the car can mean a weekly fare between \$50 and \$60. This is twice the price of a similar trip by car or, in the easterly suburbs, government bus and train. We also have an ageing population to be concerned about.

CHAIR—Thank you. I have read your submission in great detail and my comments should not be interpreted as any criticism, but you have spent a lot of your submission canvassing the alternatives to various fuel sources. A lot of the points you make are quite valid, but I do not think they fall specifically within the terms of reference of the committee. They may be beneficial moves that the committee may subsequently recommend that the government act on; they may have beneficial flow-ons in that field.

I think the parts we have to concentrate on in your submission come more towards the end of it, where you talk about the specifics of how the actual national rail system can be improved. Do you want to make any comments in that area? That is not to diminish the quality of the preamble, I do not want you to misunderstand my comments, but our terms of reference focus more on the second half of your submission.

Mr Craig—Many of the circumstances for freight handling to intercapital areas actually come through the Campbelltown area. At certain times of the day, especially around the peak periods, there is a curfew on for freight and some things could possibly be done to handle through-traffic a lot more easily especially, as the previous professionals said, in the area of track improvements. For example, the One Nation program produced a bypass around Macarthur Station, but it was never finished because the money was taken away. The platform and the road base are there, but no track. This bypass would have meant that terminating trains could have been passed by country or intercapital trains. Also, a level crossing has been removed which could actually have been extended into Campbelltown so that there would have been three tracks between Macarthur and Campbelltown for the bypassing of terminating suburban trains.

The last level crossing is seen from Leumeah, which is the next place down, which could even be developed into a third track all the way. Possibly electrification as well as platforms and the centre track being converted to bidirectional signalling could be used for passing in both directions to make it a multifunction section.

The same type of treatment could be given to the Liverpool to Cabramatta section. This would be a very economical way of achieving extra capacity in that section because a large number of trains, again in the suburban network, terminate at Liverpool. That would enable freight, under most circumstances, to get all the way into the freight terminals and not be disturbed too much by passenger services.

CHAIR—I know you have talked about other tracks, for instance, Sydney-Canberra and Sydney-Melbourne and so on, and you have obviously done a lot of research. Have any of those sources thrown up any costings on some of the things you are proposing? For example, I know that you have done that in relation to Campbelltown to Douglas Park and the Douglas Park to Bargo bypass. Whose figures are they?

Mr Craig—They are more or less generalities. A lot of the arguments I have put forward are more or less to stimulate interest in finding out. I do not have the facilities to—

CHAIR—I understand that. I wondered where your research came from.

Mr Craig—From various magazines and the Australian Railways Association.

Mr McDOUGALL—You made a comment a moment ago that five per cent of the people in the Campbelltown area go to work by train. Where did you get that figure from? Does that figure reflect that when those people go to work, they go to the CBD? Or is it that when they go to work, they go to somewhere between Campbelltown and the CBD? It seems to be a fairly low figure to me.

Mr Craig—That was the western suburbs, not the Campbelltown area. There is department of transport information available. I have some figures here: four per cent in Sydney go by train, 2.5 per cent by bus, 61 per cent use cars to go to work and 28 per cent walk and bicycle. So there is a very small percentage who use public transport in Sydney.

Mr McDOUGALL—Even though it is 900,000 people a day? Perhaps we should look at the figures we got this morning.

Mr Craig—I think that is 900,000 passenger trips per day. It is still a fair whack.

Mr McDOUGALL—I realise it is a fair whack, but I got the impression this morning from the State Rail Authority that there was a fair congestion out in the western suburbs in trains because of the passenger train numbers that were travelling. I am just trying to equate five per cent into passenger train numbers. How does it end up with so many trains on the track with such low percentages?

Mr Craig—A Sydney train has crush capacity at 1,600. So you could say 1,000 to 1,200 people. If you had 10 trains per hour, that is 12,000 people per hour per track.

Mr McDOUGALL—What is the population of the Campbelltown area?

Mr Craig—The greater Campbelltown area, which is from Glenfield, south to a suburb called St Helens and west to Camden, probably 150,000 to 160,000 people.

CHAIR—How does that compare with other commuter traffic from other suburbs? Have you checked that out with the rail authority?

Mr Craig—No, I have not checked that out. That was a generality. If we have 10 trains a morning that go out of the Campbelltown area per hour and if you have a normal use of, say, 1,000 to 1,200, that is 12,000 or 13,000 people. Compared with road, the RTA says that the average passenger use in cars—that would be per 24 hours—is 1.3 per car, but obviously in the peak hour you are going to have a lot less with individuals going from one site to another. So you would say that approximately 3,500 to 3,600 cars per hour per lane. There are five lanes out of Campbelltown and Camden going north, so possibly there could be 16,000 people per hour going to work per hour.

Mr McDOUGALL—If we take this sort of evidence—and I am not questioning it because you are taking it from fact—and we take the principle of doubling the number of people who travel by train and we are trying to put that 100 per cent increase on to an already overloaded system, then we are not going to be able to make the grade.

Mr Craig—It depends on the track capacity. How many trains can you put down? From the outer areas, for example, you have got people going to the CBD. You also have to cater for the people in the intermediate as well. So it is very difficult to run fast trains and slow trains on the same track because you have allocated time slots. So if you have a slow train, it takes a time slot. If you have a fast train, it will take up extra time slots because it has to get further down the track quicker so your capacity reduces. So it depends on the circumstances.

Mr McDOUGALL—Mr Chairman, from the evidence of Mr Craig I was wondering whether we could put a written question to the rail authority in relation to city trains and find out what capacity they have got in western Sydney to be able to create more trains and more passenger movements in that area immediately and what sort of capital increase would be required to increase by 100 per cent—say, from five per cent to 10 per cent—of the population movement to work by train. That to me anyway throws a very major question and would have a major impact in relation to us making a comment in regard to our recommendations that relate to freight because that is the main area where the south-north freight line goes.

Mr Craig—The other problem as far as the workers are concerned is that the rail system does not always go where they want to go to work. This is one reason. As I expressed in the submission, if we find ourselves in the situation where oil supplies are in jeopardy or the cost of operating systems with this oil in the future become difficult, then how are we going to get people to work if they are driving cars? Will the people pay the increased costs or do you provide another means?

Mr McARTHUR—You have obviously thought about this whole matter a fair bit. Could you help the committee and the Australia community by giving us your views on

how you might persuade urban dwellers to use public transport systems?

Mr Craig—It is very difficult.

Mr McARTHUR—Your whole thesis is predicated on the human psychological factor of encouraging, persuading and coercing—every other way you might think—large numbers of people who use motor cars to get back onto a public transport system. How are you going to solve that problem?

Mr Craig—It is very difficult to change people's natures unless they find it is simpler, cheaper or easier. With the rail situation, especially in the off-peak periods, a 30-minute service is no good. You buy a ticket, you sit down and you find the train has just gone—are you going to wait there 30 minutes or are you going to get back in your car and drive off? That is what happens a lot of times. Also, didn't the federal government fund the Parramatta-Merrylands Y link—the new line?

CHAIR—We had the former Treasurer here a few minutes ago; he could probably answer that.

Mr Craig—One of the prospects of Campbelltown users was to go to Parramatta without changing trains. This does not happen in the peak hour because the train terminates at the junction at Glenfield; it does not go to the dormitory suburbs. The Department of Transport in New South Wales is concerned about the number of people that actually go to work on this corridor.

A graph was then shown—

Mr Craig—According to the statistics, as you can see, the red line versus the blue line is quite dramatic; these are to centres like Campbelltown, Liverpool, Penrith, Blacktown and Parramatta—people use an excessive number of cars to get to these CBDs.

CHAIR—Could we have a copy of that?

Mr Craig—Yes, I can give you this copy. The problem is that the Cumberland line in the peak period—when you want to get people to work—does not travel to the dormitory suburbs at either end.

Mr McARTHUR—What is your recommendation then? Let us get back to the local area—you are representing the Campbelltown people. What would you do there to get them back on the rail system?

Mr Craig—You have to make a convenient and frequent service for them to use.

Mr McARTHUR—You are fundamentally saying you want a quicker, more frequent service and that would encourage them to come back to the service?

Mr Craig—It probably would. It is difficult now because people were waiting with bated breath for that to happen. When it did not happen in the November 1996 timetable, following the re-arrangement of timetables over the Christmas maintenance period, a lot of people probably went out and bought cars in February/March of that year—early 1997—because there is an excessive amount of congestion on the F5 going north from Campbelltown now. I am just making the suggestion that people gave up on the rail system—the public transport system—and went back to the car system.

Mr McARTHUR—If your whole thesis is based on getting them onto the public system, your local group are not putting a strong recommendation at the local level of what you might do.

Mr Craig—That is right. I am just giving you an example of where everything has failed.

Mr McDOUGALL—Yesterday we had evidence given to us from the New South Wales Department of Transport, which, after all, is the overarching body for rail and road, and transport in general, around this state. From my memory of that evidence, there was very little evidence of that department having any strategic planning process in relation to a total land transport strategy. Has there been any evidence to you at the community level, from either local government or state government through the Department of Transport and Regional Development, to attempt to address this? There is absolutely no process in place at a visible level where the public can be involved in the consultation process of developing such a strategic plan. Is anything happening by the department in that area?

Mr Craig—There has been in the past and I have been to various seminars on these particular subjects of land environment use and transport cooperation. But that is all.

Mr McDOUGALL—When have they been held?

Mr Craig—I went to two last year. It might have been the previous year. It was a while ago.

Mr McDOUGALL—So you have a couple of meetings and nothing comes out of it?

Mr Craig—That is about it. The Department of Transport may have all the information that they need but we do not see it in the public area.

Mr WAKELIN—In your conclusion you say that the American method of incremental improvement has been applied many times and it has been successful. Could

you enlarge on that?

Mr Craig—The idea is to announce and provide the service or provide an advanced vehicle, for example the tilt train, which gives you initial improvement and which also gives the custom. A good example is where the Talgo train is on the western corridor. I do not consider it to be a fast service but the fact is that with the publicity it has gained the custom. This has also given the people in control to having incentive to go and put money in to do the investment. Sections are done at a particular time or done in an improved manner, so consequently the performance of that service starts incrementing as the work is done.

This is being done on our roads, which is the example I gave you. Towards Milton the road was narrow and it wound around a mountain in an enormous S bend. A section of road and a bridge had been placed in to completely by-pass this circuitous thing. Again, on our honeymoon we were travelling north to Port Macquarie and you had to go along the Pacific Highway, wind down to the river, cross a little bridge, wind up the other side and continue. At the same time at a couple of sites a high level bridge was being built. Why can't that same sort of approach be done to the rail system to make it more economical in country areas?

Mr WAKELIN—Not big capital but incrementally improving it at those critical points.

Mr Craig—As I said in the submission, the XPT is now 15 years old. If a couple of those occurrences were done north and south of Sydney each year, half of them would be gone now and you would not have the problem of how do we put this investment money into the rail system to make it pay its way. If that were constantly being done to make it economical, you would probably have operators falling over themselves to come and have access time. That is not happening.

CHAIR—Mr Craig, thank you very much for your submission. It is important to have community submissions. You have obviously done a lot of personal research and you are obviously very adept in this field. I do compliment you on your effort. We will take on board your comments. If there are other things we need, we will come back to you. I trust you will respond to us in writing. You will get a draft copy of today's proceedings from *Hansard*. Is it the wish of the committee that the graph be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The graph read as follows—

[3.22 p.m.]

CAMP, Mr Gary Frederick, General Manager, Rail, Patrick Rail Operations Pty Ltd, Level 8, 309 Kent Street, Sydney, New South Wales 2000

CHAIR—Before proceeding I am sure you have been cautioned like this before, but I have to bring to your attention that, while you are not under oath, these proceedings carry the same weight as those of the parliament and they deserve the same respect as those of the House. Any false or misleading evidence would be taken as a contempt of the parliament. Having said that, do you wish to make any alterations or additions to your statement?

Mr Camp—Not at this stage, no.

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

Mr Camp—I will not actually go through the detail of the submission we made; we will leave that as it stands. Basically, why would Patrick want to become a rail operator? The problems for a new entrant into the field of rail operations are legend and have been described in great detail in various submissions, reports and discussions, no doubt many of which you have already been party to. Despite this, a growing number are taking up the government's challenge for competition in a deregulated rail industry. There is a belief that rail transport has turned the corner and is showing potential for real growth and efficiency improvements over the next new years. Patrick supports this view.

The Australian Transport Council's heads of agreement on interstate rail reform at the end of last year is the catalyst for significant rapid progress in addressing the problems of the rail sector and is applauded. The standing committee on transport's rail working group has since been active in focusing energies on the very problems that this committee is addressing and with the support of the rail industry will make advances, particularly in the areas of rail technical and safety standards.

The formation of the Australian Rail Track Corporation will provide the shopfront for track access which it is hoped will provide uniformity of contracts, pricing and control of train paths. The operator's concern here is that the ARTC must be more than an intermediary marketer imposing another level of bureaucracy into the system. There must be real control of train paths, operations and infrastructure by the ARTC and performance criteria as an integral part of the contract with the above rail operator. This must include improvements to operating systems and the track.

The current infrastructure conditions and transit times are unacceptable in quite a number of areas and require significant injections of capital—well in excess of the \$250 million which have been allocated over the next four years. Funds must be obtained and

allocated to priority projects consistent with long-term goal improvements.

Acquisition of rolling stock for new entrants is still a major hurdle, with most of the suitable container wagons in the hands of government-owned operators, who will not lease them for use on interstate corridors. Wagons are a particular concern when business is being turned away due to shortage of available wagons, while surplus wagons are mothballed around the countryside. This issue needs to be addressed.

Much is spoken of a level playing field and competitive neutrality between modes. For rail to become truly competitive and provide a realistic alternative to road and, to an extent, shipping for land-bridging, the government must remove the barriers which disadvantage rail, including fuel excise, substandard rail infrastructure—which limits transit times and tonnages—and inequality of investment in road and rail.

CHAIR—I read your particular submission with a lot of interest. You have certainly been extraordinarily thorough in addressing all the terms of reference, and you have a few innovative ideas that appeal to me personally and may well appeal to my colleagues. The first of those is that you are very interested in seeing that the major freight terminals become common user facilities. Can you enlarge on that a little bit? With the ones you currently list as ‘sufficient’, we have had some evidence that these are already deficient, even for the number of users that are associated with them. Do you see perhaps new terminals being required around Australia? How would you see them being funded?

The other issue is that you have a different concept on corridors. You think the transparency should relate more to particular corridors: encouraging equal competition with roads in a particular rail corridor. I find that very appealing. To me, that is a greater expression of equity. I am not just expressing my own opinions here when I say I find the concepts that you are throwing up very innovative.

Also, unlike what we have heard to date—I was not at Newcastle yesterday so I could stand corrected on this—you also tackle the problem of how we might get some commonality. Everyone uses a lot of buzz words like harmonisation, but you actually get into the detail of how training and occupational health and safety and the dangerous goods acts and other factors might be tackled head on. You have certainly broken a lot of new ground as far as witnesses we have heard to date are concerned. I wonder if you would like to comment on a few of those, particularly the one about the terminals, and perhaps about neutrality on corridors rather than just broadly based across the state?

Mr Camp—On the first issue of terminals, from my perspective as a new entrant to the rail industry—Patrick is primarily a stevedoring company—we see that there is a real future in the rail area. To operate rail, obviously you have to have a terminal at each end. It is fine to talk about the train path and the infrastructure on the corridors, but unless you have access to terminals at each end you go nowhere.

The issue is that current existing governments have terminals in each of the major cities. Those terminals are used by each of the state railways and also by National Rail. National Rail have picked up a number of different facilities around the countryside. They have put funding into those and have improved them to an extent. But, again, it is difficult for new entrants to get access to those facilities. You need to either build your own or you have to go to some other party who may have some sections or at least a portion of another facility to put your train into it so you can load and unload.

The upcoming sale of National Rail poses the following question: what happens with the terminals? The same can be said of V/Line when that is sold. Similarly, what happens with the facilities of Dynon? Rather than having a lot of investments in a number of separately located and small rail terminals, it would be better for the Commonwealth and for Australia to have in each of the cities a major hub terminal that is open to use by all comers.

CHAIR—Do you mean a fully developed terminal or do you mean something like an industrial estate where primary access is provided by government but you then hive off to your own sheds? Or do you mean that the government should participate in the provision of some of the on the ground infrastructure?

Mr Camp—I do not think the government needs to participate in the infrastructure, just so long as the land itself is available.

CHAIR—Land and access are there.

Mr Camp—Land and access, because the private operators will develop each of their own sites to suit the business that they are bringing into the area and the trains that they have to build up and send on their way. If you think about it, if each different operator—whether it is SCT, TNT, V/Line or National Rail—has to build their own terminal, then you are diversifying and spreading the effort rather than concentrating on large facilities out of which you can get some economic gains. You could take the contributions that each party might be prepared to make to it and build it up.

CHAIR—You do not mind paying for it but you do not think that every company should have to go in and do the same thing over and over again.

Mr Camp—It is a huge waste of funding to put in separate terminals in different parts of each of the capital cities, and it breaks up the centralised infrastructure that can then build a better, more technological facility because you are pooling your funds and you come up with a terminal that can truly work at world best practice. Currently, each of the individual players putting into their own terminal means that you are taking a bigger risk, you are having to spread your funds further and you also end up with a number of different points through the city that you will be trying to get rail access to.

CHAIR—Can you comment briefly on the idea of having some form of equity or neutrality on individual corridors?

Mr Camp—I raised that point because of the perception that we had in starting our first rail operation between Melbourne and Adelaide. To us, working on that corridor would be different to us trying to put a similar operation into the Sydney-Brisbane corridor simply because the geographics, the types of business and the economy of the state that you are in—both states are on either side of the corridor—are different on those corridors. The business that you are operating on that train line is different in Melbourne-Adelaide than it is in Brisbane-Sydney. But what you are trying to compete with on that one corridor is between rail, road and ships. From our point of view, we move shipping boxes. That is our prime business. So we are competing against those three modes—rail, road and sea.

For us to be competitive in that market we have to—on that one corridor—know that we are paying the same sort of fees that everyone else is, otherwise we do not have an ability to price ourselves sufficiently, if we think that our competitor is getting a cheaper rate. It means that we have to be very careful how we price ourselves. We can end up running a service but not having any business on it.

CHAIR—So you are saying that it is not so important to have transparency across a state as to have transparency on corridor for corridor? You do not necessarily have to know what arrangements a company has with the State Rail Authority or the access authority or whatever it might be, but you need to know that, where you are competing on a particular corridor, there is a neutrality there.

Mr Camp—We want to know. Certainly, through the fact that they are providing a service, in that it is a train path as far as we are concerned, that we are buying a train path. We are putting up money to buy that train path. We want to know that the contract that we have is the same sort of contract that our competitor has, with the same sorts of performance clauses, the same sorts of penalty clauses—if they are there—and the same sorts of rates. We want to know—similar to the system that AN had with the track access in South Australia; it is a published rate—exactly what everyone is paying and we can base our business on that fact. In other states, it is not—you go in this dark room with big people and little people again. The big boys and big girls.

Mr PETER MORRIS—Do you publish your rates?

Mr Camp—We publish them to our customers.

Mr PETER MORRIS—Including the ones that are not published?

Mr Camp—Including the ones that are not published. We have our negotiated rates too, yes.

Mr PETER MORRIS—What are negotiated rates?

Mr Camp—Negotiated rates are based on volume discount.

Mr PETER MORRIS—Are you going to tell me what they are?

Mr Camp—They vary up to 10 per cent.

Mr PETER MORRIS—Do you tell all your customers what all the other customers are paying?

Mr Camp—No.

Mr PETER MORRIS—What you are asking in the case of the transport corridor is: ‘Do as I say, but not what I do.’

Mr Camp—It is a corridor basis. We believe that we want to know what the others are paying on that corridor.

Mr PETER MORRIS—The best example is by doing it yourself. Sorry, Mr Chairman.

CHAIR—I have had a pretty fair run colleagues.

Mr McDOUGALL—Actually you stole my thunder, I was going to go down the same path. Are you telling me that shipping companies around the world, because that is the business that you are mostly in—stevedoring to shipping—publish their rates on a given route to every person that puts a can on their ship?

Mr Camp—I would suggest that they have got a published rate, but they have also got a negotiated rate.

Mr McDOUGALL—You listened to the evidence from the Rail Access Authority today and you probably listened to the questions that I asked. I have some problems in cross-subsidy, as you might understand, with them belting some areas at a return of 14 per cent to be able to cross-subsidise, even though they denied that they were cross-subsidising. I can understand the point that you raise in relation to the point that you have to know your costs up front, and that if you are going to be put at a disadvantage to your competitor, to an access authority which you have no control over, then you would like to see some transparency.

But I do take Mr Peter Morris’s point at the same time: it is a bit hard to do it on one end of the business that you are involved in, which would be moving the can from the wharf to the customer possibly or even domestic freight, when you are not prepared to do

it at the other end, particularly if it is export or import that gives you the competitive edge for you to be able to get the business with the shipping company to be able to ship it. That is something that has really got to be thought about in relationship to saying, 'If it is good enough to do it one way, you have got to do it the other,' if you are going to make the whole thing transparent.

I raise the point because I find it difficult to come to that decision in relation to that area. It worries me that somebody might be cross-subsidising somebody else to the disadvantage of somebody else. That worries me as well. On that basis, should the access authority in this nation, if the Commonwealth is to get further involved in rail, be national or should it be by state?

Mr Camp—I think there is a real need for a national perspective to control track access so you have uniformity around the nation. Most of the corridor moves between cities or across state borders so, in fact, all interstate moves are across state borders. The point is that you now have to negotiate with each of the separate states, and that causes huge problems and great delays. It took us more than 12 months to negotiate to get our first operation in place. On others we would negotiate for more than 12 months—up to 15 or 18 months. That is simply because there are differences in each of the states.

The operator working on a corridor, point to point between cities, is not interested in the fact that Victoria or South Australia have different requirements. They want to make sure not only that it moves competitively between the two cities but also that there is not a dislocation at the state border; one contract in one state having different requirements from the contract in another state. You can find yourself caught up at the border saying, 'I have got to do that in that state, but it is different in the next state.' So there is a need for that uniformity, I think, particularly on a corridor basis.

Mr McDOUGALL—Your comments in relation to terminals are of interest to me. You would have heard the Rail Access Authority—I think it was the access authority—talking about the possible setting up of a metropolitan terminal able to take cans—I am talking about input cans and, vice versa, export cans—off the Botany wharves to this terminal and then distribute them around Sydney so that you have a distribution point and a collection point in a terminal. My understanding of rail is that rail is about long haul. As a professional in stevedoring and the moving of containers around a wharf, on and off ships and off wharf, does it sound very feasible to you to put a terminal in the middle of a metropolitan area to do what could be a 15 kilometre train trip?

Mr Camp—Yes.

Mr McDOUGALL—Would that be economical?

Mr Camp—Yes, if you position the terminal in the right place which, for the centre of Sydney, is moving further west all the time. The centre of Sydney is now

probably out near Blacktown somewhere—Parramatta to Blacktown. If you put a terminal out near there it is then in the centre of Sydney, basically. You will be able to capture most of the industrial areas to the west, north and south feeding into one terminal and then shuttle train from there to the port, which will reduce a lot of the congestion with road trucks at the port and to and fro.

There are always the closer inner city areas which will still be delivered by road because it is not of value to take that out to Parramatta and then bring it back again. So there is a certain catchment area that you can pick up on. With the 80 per cent that goes around the Sydney area—I am taking a generalised view here—probably more than half of that is in the outer area of Sydney, the more industrialised areas of Sydney. So you could capture a fair proportion of that by rail.

Mr McDOUGALL—Would Patricks be interested if the access authority found a piece of land that their tracks ran through and that they were able to make available for terminals? Would somebody like Patricks be interested, with others, in that area and building up a terminal operation—individually, at your capital cost, with them laying down the track—and building up those facilities to do that?

Mr Camp—I think it is happening now. There are a number of sites around Sydney that have rail infrastructure there currently. There are a number of shuttle trains that run into the port already. They do not carry a great number of containers, but it will build. In negotiations with FreightCorp and other parties we are certainly looking at that aspect to increase the volume that comes in by rail through to the port.

Mr McDOUGALL—FreightCorp said yesterday that they wanted to increase their freight to the port from 15 to 30 per cent. Do you see that as feasible?

Mr Camp—Most certainly. There has to be a concurrent development though at the port itself to handle that increased volume. Keep in mind that the carrying of that comes in by road, and you are talking about a certain amount of growth and a certain amount of switching from road to rail. So it is a combination of the two things. The growth itself is going to accommodate probably 5 per cent of that, to start with, over the next one to two years. The rest will be what we can switch from road to rail.

Mr McDOUGALL—But you see that as feasible?

Mr Camp—Yes.

Mr HOLLIS—I have a couple of questions on your submission. A lot of it I have no disagreement with, and some of the things that are coming out are quite interesting—like a national body and so forth—but I notice that in your ‘actions required’ you say there should be a recasting of timetables to reduce transit times. But surely, given the condition of a lot of the track and the curves and so forth, that would follow, say, No. 2

here where you say: 'track upgrading to remove speed, and load restrictions'. There is no point in recasting the timetables today, unless that track is improved, or do you have examples of where better speeds or reduced transit times could come into effect by recasting timetables?

Mr Camp—An early comment was made by Mr Hicks from Rail Access about managing trains more effectively and efficiently. Currently, if you look at the timetables that are in place on most corridors, you will find they are pretty much historic-type timetables. Trains have been running to those times for the last five years, in some cases. Obviously, the existing operators, the National Rails and each of the state organisations, by dint of the fact that they were there before the private operators came, already have paths. To give you an example, on Melbourne-Adelaide where we operate, the normal high speed freight path would be about 14 to 16 hours transit. The paths we have are about 17 to 20 hours transit, because at the times that we can get the best paths have already been taken. The paths that are left are the paths that have to wind their way through and keep getting knocked by other trains in crossing loops. Wherever you have single track—

CHAIR—It is a slow route already, isn't it?

Mr Camp—With speed restrictions and other problems in the area—the number of short crossing loops that cannot be used by longer trains—it simply means that you cannot take extra trains on that corridor, the way it stands currently. But probably by recasting the timetable they may be able to free up some additional paths. I am not saying that that is necessarily gospel, but I believe that is the case.

Mr HOLLIS—We were talking yesterday, I think it was, about the timetable from, say, Melbourne to Sydney—and there it was pointed out to us that, no matter how much they tried, given the existing conditions of the track and the route it follows, it would be impossible to reduce that time.

Mr Camp—I cannot comment on their position. I can simply state that, on the corridor that we run—Melbourne-Adelaide—and in negotiations that we have had on other corridors, even if you run at what is called high speed versus a slow speed, you are running a 110-kilometre freight train and your transits are no better than if you have an 80-kilometre freight train. So why do you bother investing in high-speed rolling stock when your average speeds are below what you can get with a low-speed rolling stock? A lot of that is due to the fact that the best train paths have already been taken. The paths that are left are the ones that have to meander their way through the system, and they take longer and cost a lot more to operate.

CHAIR—To a certain extent, you are picking up the point that that previous witness made that just some incremental improvements would make a big difference, such as, the number of loops, the length of loops—

Mr Camp—Exactly.

CHAIR—the odd curve gradients not having to use two locomotives in the Adelaide Hills and so on. So government could make incremental improvements without a lot of expense. Perhaps something like the black spots program on roads could vastly improve the time factors between major cities.

Mr Camp—Certainly. The fact is, if you look at the overall problem that we have on the interstate corridors from Brisbane to Perth, it would take well over \$1 billion to fix up all the issues that people have flagged—the need to have less than two per cent speed restrictions across the corridors and to have sufficient crossing loops so that you can pass you trains efficiently. If you look at the real pinch points through each of the corridors and judiciously place your funding, you can get incremental improvement. It can be significant incremental improvement to start with because you are taking out the worst spots each time, rather than the way it has been done in the past where each of the state governments looked at the areas which concerned them. They were also pinch points but they were pinch points for a different reason—it could be some regional thing, it could be political, whatever.

This is a great opportunity to make sure the funding, which is very limited, is put in the right places, that is, to take out the pinch points that give you maximum benefit in improving your track speed, your track tonnage and the ability to cross trains and improve paths.

CHAIR—You say it would cost \$1 billion to do a real clean-up of the track, but what would be your estimate of taking out the major hot spots? Have you ever done a figure on it?

Mr Camp—Not personally, no. I have seen figures that take out the key hot spots. I know on the Melbourne-Adelaide corridor you are talking \$100 to \$140 million which would bring it to double stack, raise the speed and remove quite a number of impediments to train crossing. You apply the same sort of doctrine to each of the other corridors. They have different areas where there are pinch points. Certainly Sydney is a bad one but, again, to do it in one fell swoop, to have a freight-only line through Sydney is going to take up \$450 million but to take parts of it that give you a big improvement for smaller cost—\$100-odd million—you get a 60 per cent improvement.

Mr HOLLIS—It surprises me that everyone identifies all of the problems and where money needs to be go in, but when you were asked about who should put this money in for these improvements, your comment in the submission was ‘no comment’.

Mr Camp—Yes.

Mr HOLLIS—We are talking billions here. You must have some idea who it

should be in this free enterprise system. Should it be the users of the system who are going to make a lot of money out of the system? Should they make the investment and put their money where their mouth is, or should it be the long-suffering federal or state governments who, some say, have not put any investment in there over many years making them responsible for how it now is. You must have some idea who should put the money in.

Mr Camp—I said earlier, certainly when it came to terminals that are going to be used, that you would invest your money in the end points because you have control over the end points. We do not have control over the bit in between, the corridor itself. There are all different players using it, running over it, and it is controlled by this other track access authority. The track access authority is the one that has to maintain, improve and upgrade and get that corridor better so that they can sell more train paths. They get their return from selling better, improved train paths which we can then more afford to pay probably a bit more for. If I can get a better train path that cuts my transit time, I can improve my train running, I can reduce the costs of my train, the cost of crew, the cost of fuel, all those things, and that flows back into the whole system. We can either reduce rates or we can improve the track.

Mr TANNER—You may have referred to this in your introductory comments, which unfortunately I missed and I apologise. What is the nature of the corporate relationship between Patrick Rail Operations Pty Ltd and Patrick Stevedoring?

Mr Camp—They are two separate companies.

Mr TANNER—Do you enter contractual relationships with Patrick Stevedoring?

Mr Camp—Loosely contractual, yes. The fact is that Patrick Stevedores operates the loading and unloading of ships. Both companies run under the Lang Corporation, which is the top corporation.

Mr TANNER—Does that mean that you are as separate from Patrick Stevedoring as Freedom Furniture, for example?

Mr Camp—Technically I would say, no. Basically, we report under the same umbrella and Freedom is way out the side somewhere.

Mr TANNER—Would you report to anybody in Patrick Stevedores or would it only be to Lang Corporation?

Mr Camp—It is a mixture at this point. I really report with the director terminals in Patrick Stevedores and also with Lang Corporation, Chris Corrigan.

Mr TANNER—Clearly, there is a close practical relationship between the two.

Mr Camp—Certainly, yes. It is an added service to the shipping lines. That is what I said before. We basically deal with shipping boxes. We do not really carry any domestic cargo.

Mr PETER MORRIS—You do not carry domestic containers; only shipping containers?

Mr Camp—Only shipping containers, at this stage anyway.

Mr PETER MORRIS—How many containers a week do you run?

Mr Camp—We are certainly running three round trips a week between Melbourne and Adelaide.

Mr PETER MORRIS—You have not got on to Melbourne and Sydney yet?

Mr Camp—No.

Mr PETER MORRIS—What about the growing movement of containers out of Melbourne, Adelaide and Sydney by foreign flagships to the west? They have not picked up on the Melbourne-Adelaide trip as well? I think there are some being moved on that route, too.

Mr Camp—There are some. I do not think it is a great number. Primarily, the volume moving Melbourne-Adelaide that does not call direct ship from overseas is about 45,000.

Mr PETER MORRIS—It is usually dead-legging from east coast to west coast and it is taking substantial numbers of containers away from rail. They are going by sea to Fremantle. That has not impinged upon you?

Mr Camp—We have not looked at the Fremantle side of it yet.

Mr PETER MORRIS—I think there is a bit of Adelaide, too. It is about three trains a week. What is that in containers? What is a train? Is it 50 or 60 containers?

Mr Camp—Our base train is 75 containers in each direction, but we are currently running up to 120.

Mr PETER MORRIS—Is that about 300 or 350 containers a week?

Mr Camp—Yes, in each direction. About 500 to 600.

Mr PETER MORRIS—That is 500 to 600 containers a week going across by rail.

There is always a correlation between the ship rate, the rail rate and the road rate on that route. Port Adelaide says that you steal those cargoes away.

Mr Camp—We hope so.

Mr PETER MORRIS—Port Adelaide have said in previous inquiries to earlier committees—not to this one—that the rail movement of containers from Melbourne to Adelaide is heavily subsidised by the taxpayer, the market is not allowed to operate and those containers should be going the normal route by sea into Port Adelaide and be part of the port activity. Do you have any inhibitions about doing what you are doing?

Mr Camp—What we are doing is working on a commercial basis. We are not being subsidised by anyone. It is purely an operation. There will always be a flow of containers between Melbourne and Adelaide because not all ships call at Adelaide. They call at Melbourne, discharge in Melbourne and bypass Adelaide or do not even go to Adelaide. They turn around and go back up the coast.

Mr PETER MORRIS—Yes, but AN used to be heavily criticised for running special low rates to move containers. Port Melbourne has also been similarly criticised for trying to attract cargoes into Port Melbourne by lower port rates to get them on rail so that the ships will not go on to Port Adelaide.

Mr Camp—That may be what Port Melbourne does, and I would not comment about that. The rates that we post on rail are competitive on the corridor.

Mr PETER MORRIS—That helps me. You are only doing shipping. I was listening to what Mr Tanner was saying in respect to your relationship with the stevedoring operation, and not for the other reasons that you are thinking of. What I am concerned about is the actual documentation and recording of commercial transactions. Is there a commonality in the electronic commerce systems—and I assume you are using that—between the shipping or stevedoring side and the rail side? Or do they have an electronic system and one set of documents and they have to be put on hard copy across to the rail side. How do you work that?

Mr Camp—No, we treat the receipt of export containers out of Adelaide as coming through a gateway. Patrick Stevedores has a terminal there which receives the entry of goods at that point. So there is not double entry and that streamlines it.

Mr PETER MORRIS—So, as soon as the box hits the terminal in Adelaide, they should know in Melbourne what train it is on, what number it is on, where it is going to—the whole lot?

Mr Camp—Yes, and so does the shipping line—they have access too.

Mr PETER MORRIS—I really meant what I said earlier because I was thinking while listening to you that your operations should be in a prime position, given that you have got the stevedoring operation and associated rail operation. You are providing a total transport service, so you ought to be in an ideal position to be able to say, ‘Okay, punch the stuff into the keyboard here and—bang!—everybody knows. We don’t have three different systems of communication.’

CHAIR—Two systems would be great if we could keep the level up.

Mr Camp—It is one system. We use that system. They enter the container numbers in Adelaide and it goes directly into our system.

Mr PETER MORRIS—It goes right down to the wharf.

Mr Camp—Yes.

Mr PETER MORRIS—The last thing I wanted to ask—and it worried me because I had not come across this—is about the Fremantle port rail access. You make a suggestion on page 6 of your submission. Has that proceeded since you wrote your submission? What is happening? I was not aware of that.

Mr Camp—There was discussion that it would be closed off as a rail access once the grain sidings were taken out of service and Leightons was developed just around the corner. We felt that it would be a backward step to remove rail from the port area.

Mr PETER MORRIS—Is it still a risk?

Mr Camp—It is still alive at this point in time. There are a few parties and a few meetings taking place to try to keep that facility there.

Mr PETER MORRIS—I ask that because Fremantle is the major landbridge operation in Australia; there, ships drop off or deliver to Fremantle by rail. The terminus to the landbridge operation is essential.

CHAIR—Have you made any representation to the Western Australian government?

Mr Camp—Yes, there is a committee over there that is reviewing that operation and trying to focus the rail need on that facility and on the rail link across to Kewdale. They could run a rail shuttle rather than using road from the port to Kewdale. That is what they currently do.

Mr PETER MORRIS—That is very important. Thank you.

Mr McARTHUR—You mentioned the difficulties of the Adelaide-Melbourne transit. I particularly refer to the Gheringhap-Maroonna section—which, for the information of the committee, goes through the very good electorate of Corangamite. Which particular aspects has your company been concerned about, in terms of the quality of the rail track, the quality of the sleepers and the number of slowdowns that you have got on that particular section of the track? Could you give us some practical observations on how it affects your commercial operations?

Mr Camp—Certainly. The current speed restrictions between Melbourne and the South Australian border mean that we can only average 50 kilometres per hour in Victoria. We have a high-speed freight train; it can do 110 kilometres per hour. Obviously we cannot use that through most sections. It is imperative that the condition of track be upgraded, particularly getting in the concrete sleepers that are available to be put into that track—to lift the standard, to reduce the speeds and also to improve the tonnage. We run with container wagons that are rated in South Australia at 80 tonnes, but in Victoria we can only run them at 76 tonnes; it is payload that we lose every trip, that we have to pay for.

There are a few sections which are very long, particularly through the Melbourne-South Australian border section. You cannot cross trains, which means you may have delays of probably an hour—half an hour for a train one way, half an hour the other way—and that reduces the total number of paths and the number of trains that you can feed through the section. By introducing one or two additional crossing loops, you can improve it.

CHAIR—Can you give us a page on that?

Mr Camp—Certainly.

CHAIR—It bobs up in a few submissions; it would be nice to have a bit of detail of where the hot spots are across that Melbourne-Adelaide route.

Mr McARTHUR—As I understand it, the specific problems are from Gheringhap to Maroonna, especially the Maroonna bit with the old timber sleepers. It has been put to me that the ballast on the new section of rail is not solid. It has been put to me that the rail that was reinstated under the One Nation program has now run past its commercial life. It is supposedly a new bit of rail—a new bit of track; it is not working.

Mr Camp—That is correct.

Mr McARTHUR—It is an interesting phenomenon. What is the critical time from Melbourne to Adelaide, in your view?

Mr Camp—I think that you have got to get the transit time down to between 12

hours and 13 hours.

Mr McARTHUR—What advantage at either end does that give you?

Mr Camp—It means that you have more time to turn the train around at each terminal. Currently, we run an operation where the train that leaves Melbourne has to get to Adelaide and turn around and get back again in two days. By having a fairly lengthy transit time, it reduces your unloading and loading time at the terminal at the other end, which means that you have to incur additional costs there to put on additional forks and staff to do the turnover of containers. If you can reduce the transit time, you can give yourself a bigger window for the loading and unloading time and reduce the costs there, plus reduce the costs of crew and fuel.

Mr McARTHUR—So you are saying to the committee that you are actually hiring that train for 48 hours, rather than on a trip-by-trip basis?

Mr Camp—That is on a round-trip basis. That is how we deal with it; we price each train on a round-trip basis.

Mr McARTHUR—So it is your unloading times that become a fairly critical factor as well?

Mr Camp—Yes.

Mr McARTHUR—You need more resources to unload?

Mr Camp—That is correct.

Mr McARTHUR—It is not the arrival time?

Mr Camp—No. The arrival times are not so critical as long as they are regular. You need to arrive at a certain time—each time your train is scheduled to be there.

Mr McARTHUR—Last time I was at Dynon Road the argument put to me was that, if a train left at 6 p.m. and arrived in Adelaide at 7 a.m. the next day, that was a critical window of opportunity—that it left at the later time from Melbourne and arrived at a reasonable time in Adelaide to allow for distribution.

Mr Camp—That is correct.

Mr McARTHUR—Are you saying to the committee that in your operation that is not quite the case. It would not matter. It is more the loading and unloading and being precise as to what the departure and arrival time would be?

Mr Camp—We can move ours around slightly because we are not totally controlled by the need to bring containers in from outside; we pick them up from the wharf. We control that operation anyway through the stevedoring side of the operation. We can load the train and get rid of it at almost any time during the day. The critical part is the arrival time in Adelaide. It needs to be early enough in the day that you can get the train off-loaded and get the containers distributed out during that day; otherwise you fall across into the next day and you have a two-day delivery, which is no good.

CHAIR—Colleagues, we are pretty much running out of time, I am sorry. We have other witnesses yet to appear, so please keep this short.

Mr WAKELIN—With respect to the concern that National Rail are mothballing surplus wagons, you make the point that, under the Hilmer credo, true competition requires that all players have equal opportunities of access. This is news to me. It may not be news to the committee, but this sounds like a pretty interesting practice that National Rail are engaging in.

Mr Camp—From our perspective, it would make it difficult for a new operator to get into the same sort of game when one large operator has the rolling stock and, I guess to an extent, is allocated the rolling stock and then does not use it but other parties cannot get hold of that rolling stock to use it.

Mr WAKELIN—It implies that National Rail obviously bought surplus to requirements in the first place.

Mr Camp—Or were allocated it; I am not sure whether they actually bought them per se.

Mr WAKELIN—Allocated from the state; that is a fair point. Now they are just tying them up, which suits their marketing arrangements and suits their process. I find that pretty interesting. No doubt we will have an opportunity to pursue that further, but anything you can add to it would obviously be helpful. It is the first time I have seen it. I do not know whether colleagues have seen it before.

Mr McARTHUR—The committee has a photograph of all that stock piled up in a paddock with nobody allowed to touch it. I think it might have been tabled at this committee.

Mr WAKELIN—That is correct, yes.

Mr Camp—It really is a bit of a worry when you are taking really old antiquated rolling stock that we have to operate with because that is all we can get hold of. Whilst we are a new operator, we cannot afford to buy brand new state of the art stuff.

Mr WAKELIN—What I wanted to lead on to say was there was also evidence given us to say that wagons were imported from the US—they would have been bought at pretty rock-bottom prices and brought in. There were issues there about opportunities for local manufacturers to build replacement wagons. Are you able to shed any light on that in terms of your purchasing or the availability of these wagons? There is the issue of National Rail putting them off to one side and then there was the issue of the importation of these wagons from overseas. It is suggested up to 40 per cent of the requirement might be coming in from overseas. Do you have anything on that?

Mr Camp—I cannot express an opinion on that from my knowledge simply because we are not doing it. I do know that other rail operators are buying wagons from overseas because they cannot get hold of the ones that are here in Australia.

Mr WAKELIN—I turn to the ACCC just quickly and rail expertise. I think the point you made pretty consistently through the inquiry is that we are into new areas now with the opening up of rail. Would you care to add about any experience with the ACCC? I suppose it is pretty self-apparent.

Mr Camp—We have had no experiences in the operations that we have conducted.

Mr WAKELIN—No, but you make the point.

Mr Camp—Yes, we just thought it would be worth while if they are going to be a watchdog over the process that is developing that they do have people with railway backgrounds to help them out in those areas.

Mr WAKELIN—Melbourne-Adelaide has been touched on, but this is for my own information. You suggested that \$200 million may bring it up to reasonable speed, as I understand it.

Mr Camp—About \$140 million, I think.

Mr WAKELIN—That would be significantly better than the incremental process, wouldn't it? That would bring it up to a first-class outfit?

Mr Camp—Yes.

Mr WAKELIN—Finally, I note that in your submission you talk about Tarcoola to Alice Springs and then eventually to Darwin. You do see the Alice Springs-Darwin line as, ultimately, part of the national system, do you?

Mr Camp—If it ever gets built, it would have to become part of the system, but I have severe doubts about whether it will ever be built.

Mr WAKELIN—You put it in there. Obviously, in terms of your understanding of Adelaide as well, do you have a view about the impact it would have on port facilities? Obviously, the Melbourne-Adelaide-Darwin would have an impact on port usage.

Mr Camp—I still have difficulty seeing a rail link to Darwin actually coming about. I was just saying that, if it did come about, it should be included as part of the national system.

Mr McDOUGALL—Part of my question was answered in relation to the rolling stock. I was quite fascinated by your comment. STC operate rolling stock. I presume they bought it. If you want to be in this business, there are other people who have got rolling stock. If you do not want to buy it, why don't you lease it from someone else?

Mr Camp—We have leased it from everyone that we can get hold of to lease it from. The sort of rolling stock you want for interstate transit is those that carry containers—and that is the primary area that we are looking at. If you want to build your own, you can certainly go down that path. It would take quite a period of time to get design, manufacture and all the other things that go with it.

When you are starting up as a new player, you cannot afford to buy state-of-the-art rolling stock. You have to build your business first and you do that by leasing equipment until you get yourselves to a stage where you can then start to afford to purchase. STC have gone through the process, Toll-TNT have gone through that process and so are we. That is not to say that in the future you will not build wagons. But at this point in time we are making the point there are wagons there that could be carrying containers on rail and they are not being used.

Mr McDOUGALL—That is what competition is all about, isn't it?

Mr Camp—I would prefer to see those wagons in service with containers on them.

CHAIR—Thank you very much, Mr Camp, that has been a very interesting and very stimulating submission. I do compliment you on the submission as well. It is excellent.

We look forward to that item of information we asked for—the Melbourne-Adelaide cost structure. Perhaps you can do that in two parts: the one that Mr Wakelin referred to, the total upgrade, and the one to take out the hot spots and a synopsis of where it is at present. If the committee has any questions beyond that point, I trust you will respond to those in writing. As is normally the case, the secretariat will send you a proof copy of today's evidence when it is available. Thanks again for your attendance.

[4.16 p.m.]

HAYES, Mr John Charles, Executive Officer, Policy and Planning, Sydney Ports Corporation, Level 8, 207 Kent Street, Sydney, New South Wales 2000

CHAIR—We welcome the Sydney Ports Corporation. Mr Hayes, you would be aware that, while you are not under oath, these proceedings carry the same weight as those of the parliament and need to be treated with similar respect and that any misleading statement can be considered as a contempt of parliament. Do you wish to add to your submission in any way?

Mr Hayes—I have prepared a very brief summary and I might present that.

CHAIR—Yes. I was going to ask you to give a three-minute overview.

Mr Hayes—Sydney Ports Corporation decided to make this submission to the inquiry in support of its role as the manager of the port areas in Sydney Harbour and Botany Bay. Our submission attempts to identify the importance of rail transport from a port managers perspective and that is essentially an operational perspective. For the ports to function efficiently they need to be suitably served by rail and road transport. In other words, port and land transport systems need to complement one another. Transport services on the land side of the port are these days as much a factor in port management as the ships on the ocean side.

In our submission we have identified about 10 issues which the Sydney Ports Corporation considers are relevant to the containerised trades. The aim has been to provide an overview rather than to descend into detail. Our submission is deliberately low key because, firstly, we are not in the rail business and, secondly, we are not qualified to delve too deeply into matters of rail policy. There are several important points in our submission and I would like to summarise those.

Firstly, rail connections servicing the ports of Sydney Harbour and Botany Bay are, as we would see it, underutilised, which is in marked contrast to the pressure on the road system. Only about 10 to 12 per cent of Sydney sea cargo currently moves by rail. Containerised trade through the Sydney ports is forecast to double within 20 years which will compound the imbalance between rail and road unless addressed. Some have suggested that a 25 to 30 per cent share of the task may eventually be taken up by rail. If this is achieved or can be achieved, that would certainly obviate the need for billions of dollars to be spent on road improvements and new road corridors.

However, there are limitations on the rail link to Port Botany as the section from the port to Marrickville is a single line and from Marrickville the freight and passenger trains share the metropolitan network. This necessitates a curfew for freight movements during the peak commuter periods and in a few years time there may need to be track

duplication between Marrickville and the port to handle the projected volume. We consider that due to the distance from Australia's international markets the transportation cost of goods is a major expense factor for importers and exporters. We believe that Australia requires an efficient and competitive intermodal transportation system to maintain control of the freight costs.

In our submission we touched on a point regarding coastal shipping. We believe that some consideration should perhaps be given to coastal shipping in the course of the inquiry. As we see it, coastal shipping has the potential to play a more influential part in the movement of goods throughout Australia and an increase in either the fleet of coastal traders or the removal of cabotage would create serious competition to long-distance rail transport of freight.

Finally, the increased utilisation of metropolitan container depots for consolidation and distribution of cargo transported through Botany Bay is currently providing benefits. The Sydney Ports Corporation would like to see more of these container depots established on the very western fringes of metropolitan Sydney, closer to where new industrial development and warehousing are being set up, and to have these new depots linked by additional rail shuttle services to the port.

ACTING CHAIR (Mr Peter Morris)—Thank you, Mr Hayes. You are looking at the total picture—at the port and the related transport infrastructure. You made an interesting comment in your submission that the development of landside transport access capacity in South-East Asia has not kept pace with the development of port infrastructures, with the exception of Singapore, I would say, because they have nowhere to go. So what is happening in Australia is somewhat in line with what is happening throughout the region?

Mr Hayes—As we would see it, in a number of ports and, in particular, in many developing ports, there has been a struggle to keep the land transport infrastructure developing as quickly as ports can. I think that has a lot to do with the fact that the investments required to develop ports to quite a substantial degree are significantly less than are required for long-distance road and rail corridor development.

ACTING CHAIR—Looking at the linkages, is the movement of containers to Botany likely to see other cargoes move out of Sydney Harbour round to Botany as well?

Mr Hayes—We are not anticipating any further decline in the amount of cargo moving through Sydney Harbour. In fact we currently have a plan which will see some improvements made at Glebe Island and White Bay, improvements which will rely, to a considerable degree, upon the fact that rail access is available to those areas. That is a strength in that particular part of the geography of Sydney Harbour, and we most certainly believe that it is important not to let that strength be squandered.

ACTING CHAIR—Yes. A submission was made to an earlier inquiry relating to that: that the existing infrastructure that was there was being underutilised and that there was pressure from residential and commercial development to cease the actual cargo and container operations in Sydney Harbour. You have obviously overcome that.

Mr Hayes—That pressure has been building. It came about, of course, in the light of the fact that Botany Bay was developed, and that created in some people's minds the feeling that Sydney Harbour would cease to function for commercial shipping. I suppose, to put it in very simple terms, there has been a fightback in the last few years. A planning instrument was recently approved by the Minister for Urban Affairs and Planning in New South Wales which has put paid to any thought of any alternative use being made of lands in that area and has given priority to the continuation of port usage.

ACTING CHAIR—In your submission, you make reference to the relatively low percentage of containers that move in and out of Port Botany by rail and say that you are looking to an expansion of that. Do you have a role in that expansion with the rail authorities involved or are you just leaving it to them? Is there coordination between both modes of transport?

Mr Hayes—There is a considerable amount of dialogue which is of relatively recent origin. There is not a direct role that the Sydney Ports Corporation sees itself playing either as an investor in rail facilities or as anything significantly more than an advocate in support of those that have the main task of providing rail infrastructure. But we will certainly stand and be counted with them and will work with them, particularly to develop the concept of what some refer to as inland ports or container depots within the hinterland operating as satellites to the main port.

ACTING CHAIR—An earlier committee recommended that there be an interface council in each port to actually bring those people together, which I think New South Wales decided not to be involved with. The current government established a national interface council. Is port Sydney having access to and participation in that?

Mr Hayes—Not directly, not in that council. But we have an active user consultative group which has many of the characteristics of the Interface Efficiency Council. That group has, in effect, taken the view that it will operate as the key coordinating body for port and transport infrastructure development.

ACTING CHAIR—You make reference to landbridging: we will come back to that a bit later on when the chairman comes. I want to ask you something in relation to the movement of cargoes from the Hunter into Port Sydney and the greedy eyes you have on the Hunter. That is a purely partisan, parochial comment, which I can return to later. I have got to have a little bit of indulgence sometimes! Coming back to the bigger picture: given the quality of your submission and the references you make there to the container movements you have got, why do you want the Commonwealth government involved in

this? What is the role for the feds in the rail industry? Is there a role for them?

Mr Hayes—If we are going to see the development of rail—as I would think most people would wish—then I do not think the states working alone are going to be able to achieve that. In my understanding, there has been a longstanding involvement by the Commonwealth in this—through its transport administration in matters of rail policy—as much as in other areas of transport policy. I think there is a very significant part for the Commonwealth to continue to play in ensuring that there is a national position on rail, and that state boundaries and state rivalries do not get in the way of improvements.

ACTING CHAIR—But since Port Brisbane is now targeting the concept of landbridging by rail through the use of Acacia Ridge—I have got a Queenslander right beside me here—are you not concerned about that, the impact of Port Brisbane draining cargoes away from you?

Mr Hayes—There is some concern, but let us say that cargoes that have the potential to be stolen from one port and taken up by another really do not represent a very high proportion of the total. I think that fact has been established over a number of years.

ACTING CHAIR—So there is little prospect of that happening?

Mr Hayes—That is right.

ACTING CHAIR—I think that is a good point at which to pass to you, Mr McDougall.

Mr McDOUGALL—Might I add that the rail line from Acacia Ridge to the port of Brisbane which goes west to east across my electorate was finished in November 1994 and has not had an interstate train on it yet. So they are not pinching anything from you, let me assure you of that. We might refer to access problems in New South Wales—there might be other reasons why that has happened.

The part that interested me was your point in your submission regarding this terminal in the port, and then you referred to other terminals outside it into the western suburbs. I do not know if you were here when Access Corporation was here, but they were actually referring to that; and obviously you were here when I asked that question of Patricks. I thought it was interesting to even have one, whether it was feasible on short haul. But now you are talking about the possibility of having one at the port and then one out in the western suburbs as well, or two out there?

Mr Hayes—Perhaps there could be more than one depot, inland port, or whatever we choose to call them in addition to those that already operate, because there are several sites where there are such depots operating, and a number of sites that have been identified for additional developments in this regard.

I do have with me a map, which we could look at should you wish, or I can leave it with you to study subsequently. It is quite apparent from the map that there are several depots privately operated, working very effectively with FreightCorp and allowing cargo to be shuttled back and forth, to and from the port, from receiving and distribution centres around the Parramatta area at the present time. But the concept is by no means new. When Sydney first became a container port, it had to rely on the availability of depots such as this in the hinterland—for a different reason in those days, and that was that property on the waterfront was extremely scarce and international scale container terminals could not be built at that time.

When international scale container terminals were developed at Botany Bay, the need for those depots dissipated somewhat, but pressure now has come to the point where, as we would understand it, there would be some benefit gained from making greater use of the rail system and using sites in the hinterland as satellites of the main port.

A map was then shown—

Mr Hayes—This map has a number of purple dots on it which, in fact, represent concentrations of industrial activity as distinct from depots, but you will see a number of blue triangles. Those are the sites that presently function as container depots or inland ports which are linked by rail services to both Port Botany and the White Bay area of Sydney Harbour. In addition to the several triangles you see there, there are some other sites that are presently under consideration which are not shown on the map. I am not certain whether in the presentation that you have had from FreightCorp any mention was made by them of their planning, but as we understand it they are busily working to develop a facility similar to those that are shown by the triangles: out at St Marys in one case and to the south at Campbelltown in another. Beyond that, they are also very active further afield in the regions with depots of a similar nature which function in much the same way, as you will see on the other map.

Mr McDUGALL—That is an interesting comment because yesterday FreightCorp talked to us about increasing their capacity out of the port of Botany from 12 per cent to 30 per cent, but they did not tell us how. You have filled in all the unanswered questions. Thank you very much. It has been very helpful.

Mr Hayes—Thank you.

Mr WAKELIN—The purple bits are to do with the industrial areas, so it is just the activity where potentially freight might want to go to. I presume that is the picture. Therefore, the blue triangles, as I understand it, represent the existing type situation, so I guess it is outside your brief. It comes down to FreightCorp reckoning they want to go out and double that distance or something. Do you know? Do they want to go right out to your purple spots there?

Mr Hayes—Yes, they want to supplement those triangles—the depots in the inner ring—with another ring of them towards the periphery of the metropolitan region.

Mr WAKELIN—Forgive me as a South Australian but, because it will help me with a question about Port Botany to western Sydney, what are we talking about when we start getting out onto the edge of that area defined as the west?

Mr Hayes—I am just marking St Marys with my finger. It is in this vicinity here. As you will see, it is approximately double the distance from the port of Botany Bay as it is to these facilities.

Mr WAKELIN—How many kilometres is that?

Mr Hayes—I understand that would be about 40 kilometres. Yes, it is on the 40 kilometre ring there.

Mr McARTHUR—Why would you have shuttle by train rather than using road transport?

Mr Hayes—The simple fact of the matter is that in the vicinity of the ports the highway system is already under considerable pressure. The opportunities for improving the highway system are few so, if you can imagine the additional pressure that would come with double the amount of container traffic if it were all to go on loads, then Sydney would simply choke to death.

Mr McARTHUR—That is not the evidence we are seeing in other areas where the road transporters take it no matter what the congestion is. The evidence here is that they have just taken up the market on it, so why would it change?

Mr Hayes—I do not believe that the broader issues have yet been studied in a sufficiently thorough way for us to be able to comment on the economics of the alternatives. But the opinion that we are exposed to—and it comes very strongly from the rail bodies—is that it will be very important for them to take up as much as possible of the extra burden simply because that is the only way that Sydney will be able to contain the costs of freight movement.

Mr WAKELIN—Looking at the railway line getting out to the west, what is it like to get a dedicated freight line in? I do not know if it is part of the \$450 million or the \$175 million with various options to deal with the Rail Access Corporation. Once again, it is probably outside your brief but I wonder what it is like. It would be reasonable to expect that they would pick it up on that corridor anyway.

Mr Hayes—Yes, as I understand it, the existing dedicated freight system is very much toward the inner end, or the port end, of the system but the rail corridor to the west

is a multiple track one with the capacity to take additional traffic. I suppose it is reasonable to say, whereas at the present time there is a considerable volume of coal and grain coming along that track and going south to Port Kembla, that the coal is not expected to take up much more of the capacity and there are paths available.

Mr McDOUGALL—You said to do this would necessitate the duplication and the upgrading of the track between Marrickville and Port Botany. I think the area between Marrickville and Port Botany has had a fair bit of environmental impact over the last 10 or so years. I know that a lot of that track area goes through a lot of industrial areas, but no doubt some of it goes through residential urban areas. What sort of impact do you believe this would have on the urban environment along that track because, obviously if this were to work, you would be going from these few 12 per cent trains up to 24 hours a day, seven days a week. Has that been looked at?

Mr Hayes—Here again, it is a matter for study. I could not declare that all the required studies have even been conceived at this stage. There is plenty of work to do in that regard. If I may make several relevant points in this regard, firstly, there is a reservation available for a second track—let us say that the land required for a second track is available. Secondly, the amount of residential development beside that corridor is, in fact, minimal; there is not a great deal of it. Thirdly, it would seem to us that it would still be some time before duplication would be necessary and perhaps there is a solution that could rely on the existing single track, subject to enhancement of the signalling.

As you have said, as the port corporation we do not necessarily have all the technical understanding that would help us to recognise just what might be needed to be done in the future along that corridor. But we believe that, if that corridor were expanded and if the second track were installed, there would be the capacity to run something like 300,000 TEUs of container traffic back and forth per annum, which would more than satisfy growth not only in the overall volume but in the percentage share of rail traffic. So 300,000 to 400,000 TEUs along there would make a very major contribution toward relieving road traffic problems and highway investment requirements.

Mr McDOUGALL—Would you see this as a worthwhile project for the private sector with all the benefits obviously going to the private sector or do you see that the Commonwealth would have to be involved?

Mr Hayes—I could see that there would be opportunity for the private sector, and that is perhaps as far as I should comment in that regard. As I have said, the economics have certainly not been studied by our organisation and not necessarily by any other as far as I know.

Mr McARTHUR—I just want to get your comment on the SeaTrain. What is your view? Is it working well in a practical sense to Brisbane and back?

Mr Hayes—It seems to us that it is a satisfactory operation in that it appears to be capable of operating fairly closely to schedule. Its value depends quite heavily upon the efficiency of the operation at either end. I am inclined to think that the operation at the Port Botany end is by no means as efficient as it needs to become. That is primarily in regard to the efficiency of unloading and loading, not so much of the train operation itself. I think that service has the potential to improve and to encourage more shipping lines to consider the possibility of landbridging between Sydney and Brisbane.

Mr McARTHUR—What is the nature of it—that you shift some containers to Brisbane that have a time factor on them immediately?

Mr Hayes—That is one consideration and a quite important one for shippers of time-sensitive cargo. But another consideration is one that has actually been taken up by at least one shipping line and that is a ship call at Brisbane can be eliminated by bringing the ship simply to Sydney. One operator in the Australian-North America service who was for many years calling at Brisbane now has cut that call out and uses the train to centralise cargo in Sydney.

Mr WAKELIN—With the limitations on the rail link at Port Botany, the curfew, can we get an idea of the timing on that thing?

Mr Hayes—I have not got the precise times, but I understand that there is no opportunity for freight traffic to move through part of the system and onto and off that line between something like six and 10 in the morning and then between three and six or seven in the evening. I understand that is of no great concern to FreightCorp at the present time because they are readily able to use the night-time hours for most of their movements.

Mr WAKELIN—So most of their movements are fine, it is just in the growth factor that we are looking at. I guess—and here again it is just anecdotal and my observation—that road traffic would converge with the airport traffic. Coming out of Port Botany is that the same road that we use?

Mr Hayes—Yes, indeed.

Mr WAKELIN—Therefore, the issue of the Olympics and transport traffic is no doubt in people's minds in Sydney and all that?

Mr Hayes—Yes.

Mr WAKELIN—Again, it is probably outside of your brief, but do you have a general view about that?

Mr Hayes—Let me just say that for the period of the Olympic Games there will

be an endeavour to cope with the normal shipping traffic and the normal cargo flows as well as the demands that the Olympic Games themselves bring about. Because of other factors it is simply not going to be possible to use the port facilities in Sydney Harbour to the degree that they can be used in normal times, so quite clearly there is going to be additional pressure placed upon Botany Bay. I think we will find that that is really put to the test in terms of what it can cope with as far as truck traffic, shipping movements and other operational considerations are concerned during that period.

Mr WAKELIN—There may be some operational variations at that time?

Mr Hayes—Yes, there are going to have to be special arrangements. There is no doubt about it.

Mr WAKELIN—Commonwealth and state government rail to date has not attracted the same interest. Due to the struggle between passenger and freight rail to break even, there is a consequent reluctance to spend further capital on rail infrastructure. We have been wrestling with this just about all the time, as you can imagine, but it is also suggested that it is do with our culture: how do you physically get people over there doing it? We might provide something, but then they might not use it. I just wondered whether you have a comment about that.

We look to the Commonwealth and state fairly regularly wherever we sit, but I am just looking at it and thinking that, for \$30 million or \$100 million, sometimes even within the local community and the regional community there is a capacity as well. So there really is a question about joint financing, how we might put a cocktail together, and, generally, about the culture of shifting people onto rail. Would you just care to comment?

Mr Hayes—I will start with the latter part of your question. It seems to us that there is right now a ground swell of support for the use of rail coming from importing and exporting industries. I think that is evidenced in the figures that FreightCorp are beginning to quote in terms of the percentages they are handling in and out of our port at Botany Bay.

There is a lot of hard work being done. I think it is making a lot of the organisations sit up and take notice that rail may have come of age. It is really proving that it can do the job that road has in recent times been asked to handle. I would imagine that to attempt to bring about cultural change by way of some shock, or whatever you might care to call it, is not going to be successful. I think it is going to be one of these cases where education based on observation of what is actually happening and what the improvements are proving to be is going to be the way to handle it.

Mr PETER MORRIS—I will leave the Hunter and Newcastle questions for private discussions, rather than hold the committee up here.

CHAIR—Thank you so much for your attendance. The committee may have some further questions of you. I trust you will respond in writing to those.

Mr Hayes—Of course.

CHAIR—The secretariat will send you a copy of the proof of today's evidence for your perusal.

Resolved (on motion by **Mr Peter Morris**):

That this committee authorises the broadcasting of this public hearing and the publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 4.47 p.m.