



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

MELBOURNE

Wednesday, 25 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

BENNETT, Mr John Arthur, Policy Analyst, Municipal Association of Victoria, 11 Milton Parade, Malvern, Victoria	865
BRENAN, Mr David, Consultant, Railroad Technologies Pty Ltd, 14 Eastern Avenue, Doncaster, Victoria 3108	781
ERMACORA, Mrs Lorraine, Treasurer, Australian Women in Agriculture, PO Box 244, Horsham, Victoria, 3266	841
GIBSON, Mr Donald, Chairman of Directors, West Coast Railway, Level 3, 75-77 Moorabool Street, Geelong, Victoria 3220	801
KNIGHT, Mr John Keith, Chairman, Railroad Technologies Pty Ltd, 14 Eastern Avenue, Doncaster, Victoria 3108	781
MacINNES, Mrs Roslyn, Chair—Finance Committee, Australian Women in Agriculture, PO Box 244, Horsham, Victoria, 3266	841
MASON, Mr Peter Terence, Consultant, Specialized Container Transport, 51-55 City Road, Southbank, Victoria 3006	751
McAVOY, Mr Mark, Project Manager, Specialized Container Transport, 51-55 City Road, Southbank, Victoria 3006	751
MEES, Dr Paul, President, Public Transport Users Association, 247 Flinders Lane, Melbourne, Victoria 3000	829
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PARKER, Mr Alan Arthur, Secretary, People for Ecologically Sustainable Transport, 50 Stirling Street, Footscray, Victoria 3011	850
PERKINS, Mr Robert, Forward Planning Coordinator, CRT Group Pty Ltd, 1 Chambers Road, Altona North, Victoria 3025	768
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VAN ONSELEN, Mr Marinus, General Manager, Boxcar Pty Ltd, 651 Doncaster Road, Doncaster, Victoria 3108	814

HOUSE OF REPRESENTATIVES
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Role of rail in the national transport network

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Present

Mr Neville (Chair)

Mr Ross Cameron

Mr McDougall

Mrs Crosio

Mr Peter Morris

Mr Hollis

Mr Wakelin

Mr McArthur

Mr Willis

Mr Marek

The committee met at 8.38 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 and the national transport network. Today is the second day of public hearings in Melbourne.

In opening the proceedings, I would like to emphasise that in addressing the terms of reference the committee's role is not to lobby the Commonwealth government or, for that matter, any state government in support of individual rail proposals. The committee's role, under the terms of reference, is to investigate how rail could operate better now and in the future, and to report its findings and recommendations to the parliament.

Public hearings this morning will enable the committee to take evidence from a number of private rail operators—Specialized Container Transport, CRT Group, Railroad Technologies, West Coast Railway and Boxcar Pty Ltd. The committee will also hear from a number of community groups—the Public Transport Users Association, Australian Women in Agriculture and People for Ecologically Sustainable Transport—as well as from the Municipal Association of Victoria.

On behalf of the committee, I would like to welcome everyone appearing before the committee today and, for that matter, anyone who is in the public gallery.

MASON, Mr Peter Terence, Consultant, Specialized Container Transport, 51-55 City Road, Southbank, Victoria 3006

McAVOY, Mr Mark, Project Manager, Specialized Container Transport, 51-55 City Road, Southbank, Victoria 3006

CHAIR - Before proceeding, I would like to point something out. Although the witnesses appearing today are not under oath, committee proceedings have the same force as those of the parliament and they warrant the same respect as would be accorded to the House. Any false or misleading evidence can be taken as a contempt of the parliament. Having given that caution, I welcome to the table today Specialized Container Transport and ask that, should you use any names or quotations during your evidence, you defer to *Hansard* before you leave so that we have the accurate spelling of those particular names.

Mr Mason—I was the author of the SCT submission and formerly the Manager, Development, of SCT. I left SCT at Christmas and am now an independent consultant.

CHAIR—Do you have any additions or amendments to your submission?

Mr McAvoy—No.

CHAIR—Could you give us a three-minute overview of your submission and then I think we will throw the rest of the proceedings open to questions.

Mr Mason—SCT's submission was built on the enormous economic and environmental benefits that have already been reaped by rail competition in Australia. The Western Australian economy alone benefits, and continues to benefit, to the tune of something like \$30 million per annum from SCT's start-up. There has been a reduction in greenhouse emissions. This comes particularly from the lower fuel consumption which we estimate for SCT's operations alone as being in the tens of millions of litres of diesel fuel per year. And perhaps the greatest success story of all has been the lower freight rates that have made input substitution possible and the use of paper recycling increase within Australia.

Through competition, rail has demonstrably a large role to play in Australia. On the routes where SCT has provided competition, rail has held its own against the alternative transport possibilities. On all other routes rail has experienced a savage decline over the past three years.

The paper that we submitted contains three principal thrusts. Firstly, the submission noted that the drive for competition was being left at the starting blocks in that the maintenance of a level playing field for competition was being overlooked in the desire by governments, both state and federal, to obtain a faster sale of and higher price for their rail assets. Secondly, the submission proposed some legislative improvements by which competitive neutrality and fairness within Australia could be ensured. Thirdly, we detailed the basis on which it was believed that a national track access body could be established with benefit to Australia.

Time has somewhat passed the submission by. Accordingly, I would like to concentrate on one specific proposal. This addresses the more important of the remaining issues identified by SCT. While the

present access rates are reasonable for economic rail operations across Australia, they will not, and never will, allow economic rail activity between Melbourne, Sydney and Brisbane. Even if all the government money that some people are talking about and/or requesting were spent on that corridor, rail would continue to be uneconomic. History would continue with rail losing market share and the Hume and Pacific highways becoming more and more congested with large trucks.

If there is to be a substantial role for rail in Australia then it must include the Melbourne, Sydney, Brisbane corridor. The difficulty though is in establishing what are reasonable access rates. Everyone will offer you advice but this is generally self serving. SCT's research suggests that a zero access rate is necessary to make the Melbourne, Sydney route an economic route for rail operations. With the sale of the NRC, Australia has a once in a lifetime opportunity through the marketplace to establish and lock in just what are the maximum access rates that can be extracted from efficient rail operations.

At the same time the proposal will ensure that the government does not perhaps unwittingly subsidise the single buyer of National Rail to a point where others who need to pay full price for their assets cannot compete and, in the longer term, where the successful buyer will not or cannot invest in new or replacement equipment, thus eventually also removing this operator from the competitive environment. In essence the idea that SCT is offering is that the shareholders in the NRC should require it to be sold for its full value. In the case of equipment this would be written down to historical cost and in the case of land would be its market value.

This would ensure that each shareholder and debt provider was reimbursed fully for the value that it put into the NRC and there would then be no subsidisation. Prospective buyers would then be required to tender on the basis of the track access rates that they would be prepared to pay. The successful tenderer would be the one who offered the highest ongoing access rate.

I have with me 17 copies, which may be useful, and I can make them available, Mr Neville, if they are of use. One single-page document updates the 10 specific recommendations that were contained in SCT's submission and gives the state of play of those. The second document covers the thesis that I have just outlined of the necessity for a zero access rate and why this will enable the corridor to become economic for rail.

CHAIR—Mr Mason, thank you for that. When I asked earlier did you have additions or amendments to your submission, I had hoped you would identify things like that. We have moved on a little. Perhaps you could leave those with the secretariat. We will examine them and see what status we can afford to them as we move along.

Mr Mason—Okay; fine.

CHAIR—Is that the end of your overview?

Mr Mason—Yes.

CHAIR—Mr Mason, could you tell us what the status is of your application under part IIIA of the

Trade Practices Act, especially in respect of New South Wales and WA? Where are you at with that?

Mr Mason—I will take each one separately, Mr Neville. With the first one, in New South Wales the council recommended to the Premier of New South Wales that the line between Sydney and Broken Hill be declared as essential infrastructure. That recommendation was not accepted by the Premier who declined to declare or not declare, which is de facto a non-declaration of the line.

CHAIR—But if they do not declare that line, how can you open the Sydney through Broken Hill to Western Australian corridor to private enterprise?

Mr Mason—The decision of the Premier not to declare is appealable through the courts, who are then able to make a binding declaration. SCT initiated the appeal. In the interim, SCT negotiated a satisfactory access agreement with Rail Access Corporation of New South Wales and withdrew the appeal from the courts. Perhaps with some—

CHAIR—But it is still not declared as such?

Mr Mason—Correct.

CHAIR—You are there at their pleasure?

Mr Mason—SCT does have a seven-year rolling contract, which meets SCT's requirements.

CHAIR—Will the declaration improve your position at all?

Mr Mason—Probably not. Declaration is only seen by SCT as part of the route to have the ACCC arbitrate on what is an adequate access contract. Declaration per se gives no benefit to SCT.

In the case of Western Australia, there was a similar application for declaration between Kalgoorlie and Perth. Again, SCT was having trouble reaching agreement on suitable pricing with Western Australia. The declaration recommendation was favourable from the NCC, but again the Premier declined to declare. SCT has lodged an appeal against that non-declaration.

CHAIR—Why are the states doing this, do you know? Do you have any feeling? Is it a tactical manoeuvre?

Mr Mason—I think that the states are probably different. I do not think New South Wales has been receptive to rail competition and that is probably evidenced by the fact that—up until recently anyway, or still—there are no private interstate rail operators on New South Wales track, whereas there are in each of the three southern states.

CHAIR—That was to be my next question. When we went on inspections yesterday and talked to two operators, there was a very strong inference that the Brisbane-Sydney-Melbourne corridor is not working because of restrictions in New South Wales.

Mr Mason—I am not certain what you mean by ‘not working’.

CHAIR—There are no private trains on that track.

Mr Mason—I come back to my opening comments: there have been a lot of people who have looked at running trains—probably more people looked at running trains north-south than have looked at running them east-west—and yet there has not been a single competitive operator start up on the north-south line. It is primarily, I believe, a matter of economics and there has been a general acceptance throughout Australia to date that 0.3 cents per GTK is an acceptable access rate. There is no doubt that it does work and work satisfactorily between Melbourne and Perth and can work satisfactorily between Sydney and Perth.

CHAIR—What did you say—three point—?

Mr Mason—Zero point three cents per GTK—sometimes called \$3 per thousand GTK. That has appeared in the National Rail annual report. It was mentioned recently by the Access Manager for FreightCorp and SCT certainly has promoted it fairly heavily as being the appropriate access rate to run east-west. However, our analysis shows conclusively that at that access rate, one will never get an economic train running between Melbourne and Sydney—and this is the reason why the idea has failed.

CHAIR—You said in your overview that—correct me if I am wrong—it needs to be zero rated.

Mr Mason—Instead of 0.3 cents per GTK, which is economic for east-west, it needs 0.0 cents per GTK for north-south to make it economic. The track access in running east-west is about 30 per cent of the total cost of running a train. It is the single most significant cost and, while that cost exists, no-one will make a north-south train economic. National Rail, as you are probably aware, is currently losing \$50 million-odd a year. We believe that is going to increase in the 1997-98 year and a large part of that is because they are running north-south trains at around about 0.3 cents per GTK.

CHAIR—Just one final question—and I will defer to my colleagues then—on that point of the Melbourne to Brisbane corridor there is a view being given by some witnesses that, because of the condition of the track between Sydney and Brisbane, when the Pacific Highway is upgraded over the next couple of years, unless there is an injection into rail, that route might become unviable for rail traffic. Is that your view?

Mr Mason—I believe it is unviable now and will continue to be unviable, and upgrading the rail route per se will not improve or change the competitiveness of the rail versus road. The numbers just cannot stack up while the 0.3 cents per GTK is to be paid, even if the billion or so dollars were spent on upgrading the rail track.

CHAIR—On that same point, and I will finish on this, we have had two points of view put to us in this inquiry as to how we get the rail system overall into some sort of competitive regime. One says it needs an injection of \$3 to \$5 billion—and I think it would be fair to say that most governments, state and federal of both political persuasions, have baulked at that sort of thing in the past. The second view is that we should look at an incremental upgrade by identifying the worst hot spots, creating new loops, doubling the size of

existing loops, taking out some of the worst curves and grades right across from Perth to Brisbane, and making that step one of making the rail more efficient. What is your view on that?

Mr Mason—I would start out, Mr Neville, by just harking back to what is, I guess, my basis and that is that even with either expenditure, if operators are required to pay the same rates—the 0.3 cents per GTK—it still would not be economic and one would still not get train traffic on it. I am therefore saying implicitly that the renaissance of rail, as sometimes referred to, is not dependant upon the capital expenditure. The rail track is decreasing in quality and there are some problems on it and they need to be fixed and that will cost money. But the solution to rail is not throwing either a couple of hundred thousand dollars or a couple of billion dollars at the problem, it is fundamentally for a rail operator how much one needs to pay to run on that track.

Between Sydney and Perth, for example, which is one of the routes that is sometimes noted as requiring money, you have to park a train for half a day. It is pointless for a train to leave Sydney before the end of the day, because you could keep bringing freight onto it during the day. Conversely, it is rather pointless to bring it into a terminal much before daylight, because there is nothing you can do with the freight until the businesses are open to receive the freight.

That means that the transit time needs to be half-days, and yet it takes three days to run the train across. So, essentially, you have to park the train for a half-a-day to get the timing. The parking could be at the departure terminal. It could be at the arrival terminal. It could be just in inefficient scheduling across Australia.

That means that if you upgrade the track to improve the speed or whatever, you do not actually pick anything up. There are safety issues, and I would not underestimate the safety issues that are arising on the track as maintenance is being deferred. I do not think that if one gets the upgrades that people are talking about, one will see any renaissance. Perhaps it is too strong to say ‘any renaissance’, but it is fiddling at the edges; it is not the key driver that will determine whether or not rail will take freight from the Hume Highway and the Pacific Highway.

Mr WAKELIN—Thank you Mr Mason for the wonderful presentation. Also I am sorry I have not had the opportunity to look at the update of it but I will do that. I will just open with the issue of the NRC and the squirreling away of some of the vans. I suppose, this would relate to the issue if we moved on—I have just glanced at the specific points—to the AN locomotives, taking those locos out of the picture. Did you see that as a deliberate act of reducing your opportunity to access the rolling stock and, therefore, reducing your ability to compete?

Mr Mason—I doubt there is much question about that. Even National Rail has referred to the fact that it does not feel any obligation to help a competitor. SCT’s argument has always been that National Rail was originally given custody of all the rail assets in Australia when it was envisaged it would be the sole freight operator and, therefore, has a responsibility to Australia to ensure that competition does take place. National Rail has been very strong in doing everything that it can under its charter to avoid allowing competition to take place on an even keel.

Mr WAKELIN—Therefore, the potential sale of National Rail, in a way which just moves a public monopoly to a private monopoly, is very much in the forefront of your thoughts in the way that it might be sold and the price that might be gained.

Mr Mason—We are certainly concerned at the way in which it could be sold and the price that it might be sold at, which would de facto amount to a subsidy of the new operator. It is a question not so much, I would suggest, of monopoly but of one large competitor being given an unfair subsidy.

Mr WAKELIN—Certainly a dominant position in the marketplace.

Mr Mason—Dominant, yes.

Mr WAKELIN—Just moving on to your comments of June 11 and 12 1997 about comments by the New South Wales Rail Access Corporation: you said that in your judgment:

an implementation of such an agency approach would be the single largest backward step ever taken in the history of rail. It would return the industry to the realms of the dark ages state-owned railways monopoly days.

Quite strong comments: could you just enlarge upon that? We have heard figures that that organisation, the New South Wales Rail Access Corporation, is required to have a 14 per cent return on capital. We are yet to test that, but they are the sorts of philosophies that they are operating on. You also make the point, and I have just glanced at this document, that National Rail, in the way that it pitches its freight and the way it pays its access prices, is just making sure that it is able to come in under what would be open competitive neutrality, if you like, type competition. Have you had reason to change your mind since June 1997 on the position of the Railway Access Corporation?

Mr Mason—I guess the easiest thing to kill is a good idea at the start. Are we talking of the Australian Rail Track Corporation?

Mr WAKELIN—No, New South Wales Rail Access Corporation. Certainly bring that in because that has to be part of it as well.

Mr Mason—In essence, SCT now has achieved a contract with the RAC which is satisfactory to SCT. It is perhaps unfortunate, but SCT is not in the business of trying to sort out the overall workings of Australia. If it gets what it needs, then it is comfortable and it goes on to the next problem to be solved. My comments now relate generally. I think the model that has been selected for Rail Access Corporation presents a problem, yet it is a similar model that has been adopted for the Australian Rail Track Corporation.

It does enable a reasonably good fix to take place on operations but it leaves open the questions of funding. If we look at the Australian Rail Track Corporation, the directors there will need to make decisions on whether things can or cannot be done. I do not think there is any way that the Australian Rail Track Corporation can be a profit making body. Historically, Australia has always had to fund the infrastructure and so it should—we have the tyranny of distance. The ring fencing with these corporations in giving the directors the responsibility of directors, rather than agreed funding from governments up front, is going to become a

major problem into the future.

Rail Access Corporation had the same problem. One of the stumbling blocks that SCT had in negotiating with Rail Access Corporation was this requirement to earn a return or at least not to show a loss on the line between Sydney and Broken Hill. That line, with the very limited amount of traffic, even with SCT's promise of traffic, could not substantiate making a return on investment. So Rail Access Corporation had only one action under its legislation, that was to deny adequate market rates. It required the government to step in, essentially to keep the line open or to provide what governments are good at doing, that is, ensuring that Australia had adequate infrastructure. I am not certain whether that really addresses the specific question.

Mr WAKELIN—The New South Wales Rail Access Corporation is certainly of acute interest to this committee in terms of the national rail system. I will just bring in another point: the track access charge is 25 to 40 per cent of a rail operator's costs and, obviously, that determines very largely profitability and the ability of a private operator to function. Therefore, the New South Wales Rail Access Corporation is key—in my opinion and I think in the opinion of most people—to the viability of a private rail that offers properly competing rail systems in the future. Anything that comes out of it, whether it is the new authority or whatever, that might be able to be determined in the future and any comments that you are able to make would be enormously helpful. That is why I am trying to understanding it from your perspective, certainly in your previous role, and now no doubt you have an acute interest in it. You also commented on the 109 employees and the added costs, which are key factors surely in the viability of the whole rail industry. Those comments you made about how you saw it in June last year were quite strong.

Mr Mason—You said that we had mentioned earlier that track access costs were 25 to 40 per cent of operating costs and you said something along the lines that this contributes to the profitability of the operator. I would like to extract from that and say that it determines whether or not there will be train operations. The freight industry is certainly one of the most cut-throat industries that I have come across. The average profit for a competent operator is somewhere between two and three per cent of revenue. That is okay because you get a very high return on assets. So a good operator can make an adequate return on investment. Nevertheless, the difference between zero and an adequate profit is two to three per cent of revenue or two to three per cent of costs when they are so close. It puts the 25 to 40 per cent rail access costs into perspective.

Mr WAKELIN—Absolutely.

Mr Mason—It is not so much that it determines whether a freight company will be super profitable, profitable or just break even. It really determines whether or not there is viability. SCT will run trains where it can make a quid. Obviously, it will not run trains where there is no economic benefit. The margin is only two per cent, yet 25 per cent of the costs are—

Mr WAKELIN—That is an excellent comment. Thank you. I need to move on because my colleagues will be at my throat. You made the comment that Western Australia were less than helpful in contributing to your state-of-the-art rail terminal. I appreciate your comments as to what were some of the blockages. We will be going to Western Australia, so I was quite interested. Once again turning to the track access charge, you have highlighted just how crucial it is. In Western Australia you are making some 50 per

cent more than elsewhere in Australia on the track access charge. Could we just have a couple of comments on that, please?

Mr Mason—I think Westrail generally has been fairly helpful in getting the train operations up and running, but have acted like a sensible monopoly and tried to extract the maximum amount of money possible, perhaps not with the same dedication to competition as the other states.

SCT has adopted—and, remember, when SCT first ran no-one had ever negotiated track access rates in the past—a standard of saying, ‘We will pay everybody the same access rates.’ Now in part that was self-serving because if we ever paid a higher rate to one state then the other states were likely to line up and ask for the same higher rate. Also, it was in the spirit of Australian fairness that, if we have got so much money to spend on track access before we become unviable, it makes sense to spread it equally across the various states who are providing the access.

Western Australia has used, quite skilfully, its power to try to extract higher rates. As far as getting access to the Western Australian track—in fact the draft contract was very quickly agreed—the problem was what the rates would be. It was just a state trying to get as much money out of access rates and being out of step with the rest of Australia.

Mr WAKELIN—Two quick questions, Mr Chairman, before I finish. Turning to competitive neutrality, you were critical of the federal Treasurer for not bringing in some complaints mechanism. Your position would still be the same on that?

Mr Mason—Exactly the same. There has been no movement, as far as I am aware, in that area.

Mr WAKELIN—Thank you. And the last one is this:

Rail and road can compete comfortably and naturally within Australia without any government funding; alternatively, they can compete with equitable funding; they cannot though compete where one has excessive funding and the other not.

And of course what we are looking at is a total transport task. I thought it was a point well made, but can you just enlarge on that slightly?

Mr Mason—Yes. I was very encouraged yesterday. I sat in on the Victorian government presentation when they were talking about not looking just at the straight cost benefits but at the factors outside it, and I think that is where rail—

Mr WAKELIN—Externalities.

Mr Mason—Externalities, that is right; thanks. I think rail has a lot to contribute there. I was very disappointed, for example, in the evidence given by Environment Australia when the comment was made that moving freight onto rail rather than road would have very little effect on the environmental considerations. That was very wrong.

For every train that SCT sends across the Nullarbor, our estimate is that just over a million litres of fuel is saved per train. That is an enormous saving per train. Now, there are 150 trains a year, so that is close to 150 million litres of diesel fuel saved compared with doing the job by road. That, I would have thought, was a significant contribution to the greenhouse effect.

Mr WAKELIN—Before my colleagues eject me, thank you very much.

Mrs CROSIO—Could I just follow up your comment when you were talking about the Western Australian access pricing? You do not believe then that there should be a component for any future investment in the access price?

Mr Mason—I think you have two competing forces. One is the owner trying to recover all their costs, including their future costs. The other is the operator saying, 'This is what we can afford to pay.' I am a great believer in the afford to pay price, that rail can afford to pay so much, and I also believe it should pay that amount of money, otherwise money is left on the table by the governments.

If a rail authority does its calculations, including replacement of capital, et cetera, and comes up with a rate and that rate is uneconomic, then it is a rather esoteric exercise because nobody will run at that rate. The best example I think is, as I quoted before, the Melbourne to Sydney route where zero is required or you do not have economic train operations.

I am not pushing the point that there should be zero, although I must admit I do happen to believe it is probably an appropriate way to go. What I am really saying is that unless there is a zero track access rate you will not have train operations between Melbourne and Sydney.

Mr McDOUGALL—I am trying to understand why. You are telling us that you want a zero rate but you are not telling us why. You are saying that it is uneconomical, but just saying that it is uneconomical is not the answer. Why?

Mr Mason—In part, the small paper that I handed out earlier addresses that question—and I got my knuckles rapped by Mr Neville for not doing it earlier. Rail has an inherent advantage in long distances and an inherent disadvantage in short distances. There are a number of reasons for that—it is a high fixed cost and we generally require truck loading and unloading for rail. That means that over long distances that competitive advantage of rail over road can be translated into higher access rates and that over short distances it needs to pay smaller access rates.

If I take it to its extreme, if we are thinking of running only 20 kilometres around the suburbs, then I think we could all see that there is no way that rail could be economic on a 20 kilometre haul through the suburbs and that massive subsidies would be required in order for rail to be economic. It is really only an extension of that sort of model to say that between Melbourne and Sydney the mathematics just happen to come out at around zero. Zero might be plus .0001, or some small number, but in broad terms that is how the economics work out.

Mr McDOUGALL—If you extend that to Brisbane, why does it remain so; why doesn't it get better

as you extend further?

Mr Mason—I think it would get better if one extended through to Brisbane. Brisbane is not a destination that SCT has particularly studied.

Mr McDOUGALL—But you said earlier in evidence, quite categorically, that Melbourne to Brisbane was not viable and had to be zero rated. Now you are saying that it possibly could be. Which is right?

Mr Mason—If you do not have Melbourne to Sydney operating, I do not think you will have Melbourne to Brisbane operating either. The high traffic is on the Melbourne-Sydney-Melbourne route.

Mr McDOUGALL—Why does one train go out of National Rail tonight for Brisbane and one go out to Sydney—two separate trains? Sorry, there are two for Brisbane. If you just said that there is not enough traffic, why are they doing it?

Mr Mason—I would take you back to National Rail's profitability. National Rail, in the last 12 months, had an operating loss of \$48 million.

Mr McDOUGALL—But that does not matter. You said that there was not enough traffic. How in the hell are they filling two trains if there is not enough traffic? Take away the cost, the traffic is there.

Mr Mason—What I am saying is that with the volume, the tonnage, we are talking about there being economic traffic on rail. National Rail is carting tonnage at a loss. Instead of there being a low access rate, National Rail is bearing the loss. National Rail four years ago was forecasting, I think, an \$80 million operating profit by 1996-97, and it came in with a \$50 million loss. It has failed to meet its target, set when it was established, by something like \$120 million. That is why the trains are moving.

Mrs CROSIO—They are being subsidised.

Mr McDOUGALL—Because they are subsidising in their freight rate—

Mr Mason—Subsidisation, correct.

Mr McDOUGALL—to pay New South Wales its track access rate. Is that what you are saying?

Mr Mason—Correct.

CHAIR—Are you going so far as to say, Mr Mason, that, to keep that open as some form of notional competition with road, Melbourne-Sydney or Melbourne-Brisbane will have to become some sort of a CSO?

Mr PETER MORRIS—What Mr Mason seems to be saying is, 'We cannot operate a commercially viable business over that route unless somebody gives us free infrastructure.' That is an assessment of what you are saying. Surely—you are a commercial man—you would not be asking for that.

Mr Mason—That is what I am suggesting.

Mr PETER MORRIS—Are you saying that a commercial operation between Sydney-Melbourne by rail, which is seen as the manna of all railway buffs, is not viable unless there is free infrastructure?

Mr Mason—Free access to infrastructure—

Mr PETER MORRIS—But somebody has to provide the infrastructure.

Mr Mason—which is not different from road in any quantum.

CHAIR—And the natural extension of that is that, if the very best you can do is to zero rate it, you are virtually saying, ‘You have to give us a community service obligation subsidy to make this line work,’ albeit in the form of track access. Or is the better thing not to distort the track access but for the government to rate that route to a cash level of CSO? Mr Willis is going to question you shortly. He might have a better view on that, as a former Treasurer.

It seems to me you argued against yourself when you said there had to be some sort of integrity amongst the various rail regimes and then turned around and said, ‘But if you are going through New South Wales to Sydney or Brisbane, you should not be paying anything for infrastructure.’ It seems to me the logical extension of that is a CSO.

Mr Mason—I have tried to steer away from the word CSO in the same way that we do not apply the word CSO to road funding. We separate the revenue side from the cost side and that is what I see as the weakness in the access corporations that are being set up at the moment.

I think that what we do have is two route groups in Australia where rail may have a significant role to play. One is the east-west, which is Sydney-Perth and Melbourne-Perth, where 0.3 cents works well. We have got competition up and running, costs have come down and there has been benefit to Australia. We have also got the north-south route which is Melbourne-Sydney, Sydney-Brisbane and Melbourne-Brisbane. That is a different route and the economics will not work there.

We have come to the view that 0.3 is okay east-west but zero is required north-south. The corollary of not accepting the zero argument is that rail will slowly fade away and die, even if money is thrown at it.

Mr ROSS CAMERON—Your submission really singles out the New South Wales Rail Access Corporation for a fair bit of attention. Is it a fair summary to say that you feel state owned rail interests around the country are banding together in a sort of rearguard action to overturn the objectives of competition?

Mr Mason—No. The point made at the time was that competition on rail had started in Victoria, South Australia and Western Australia with the cooperation—certainly not a subsidy although that word has been thrown at SCT—of the various state governments and their rail activities.

New South Wales was the odd state out and I am excluding Queensland from this discussion entirely. New South Wales was the odd one out. Rail Access Corporation was the interface for an SCT. The problem, presumably, was shared between RAC and the New South Wales government and different drives.

That was SCT's perception. However, I think it is worth while noting that with the legislative et cetera processes and negotiation processes that were put in place, SCT does now have a contract which is the equal of the contract in the other three states. At this stage—

Mr ROSS CAMERON—In New South Wales?

Mr Mason—In New South Wales. At this stage, however, there are no operations taking place in New South Wales.

Mr ROSS CAMERON—Why is that?

Mr Mason—Just time. It will take something like six months to connect a terminal up and that is the delay. What has become clear, since the submission went in, is the separation of the east-west, north-south—I will call it argument—versus the New South Wales Rail Access Corporation argument and they are very separate issues.

Mr ROSS CAMERON—In that sense, where you are saying in the submission that New South Wales is kind of the odd man out with no real evidence of private operators, that has now been superseded by your contracts. Is that right?

Mr Mason—For SCT it has now been superseded, correct.

Mr ROSS CAMERON—You talked quite a bit about the powers of a potential national track access corporation and you say, in effect, it has got to be one thing or the other. It cannot wind up being a relatively powerless middleman that just creates an additional layer of bureaucracy. But you do seem to say you strongly resist the idea of what you describe as an agency approach, which I understand to mean that the major state owned rail organisations would run the agency—is that the fear?

Mr Mason—No. The fear was—and it remains a fear—that, in order to talk to, for example, Rail Access Corporation, one deals through the Australian Rail Track Corporation. The difficult thing with scheduling of trains is fitting paths in. One tends to think of a slot being available. If someone wants to run a train at 7 o'clock, you go and ring up and see whether there is a slot that enables a train to leave at 7. It just does not work that way. Every train that is added to the network changes things around. Recently SCT developed a schedule for its third and fourth trains. Just to work out the paths with the four states involved took something like 1,200 man-hours. That is a measure of the complexity of negotiating a path. It has a couple of factors that make it so complex. Firstly, it is not much use getting a path through two states without a matching path through the third state. You cannot operate on the first part of the path.

Secondly, you are trying to match utilisation of locomotives, rolling stock et cetera. In fact when SCT negotiated its third and fourth paths, it involved changes to one of the other two existing paths to allow for

equipment utilisation. It is not the sort of thing that one can pre-specify and say, 'That is what we want'. In the case of RAC—and I think that is a good example of this agency type approach—RAC acts as the agent of SRA in pathing through the Sydney metropolitan area and that was a real problem. We would give to RAC what our requirements were—we would write letters and they would write back to us and say, 'Not available'. We would try to be more general in our specification to allow them more room to move. As they could not handle this eventually we were allowed to talk to SRA directly. Half an hour after we started talking, we had a path that was better than I thought we would be able to achieve. That is one example of where the agency approach is going to make life more difficult.

Mr ROSS CAMERON—Yesterday we went out and saw Victoria V-Line Freight's path planning technology—it was not actually the planning, but the implementation. There were lights on the boards and all the trains going and so forth. The point that our host was making was that it was possible to run all trains—suburban, metropolitan and interstate—from one path management system. Really what you are arguing for is that we should have a national access corporation, to which all the state authorities would cede their path planning powers and give you one point of negotiation for track access.

Mr Mason—That would be a big improvement, yes. That is what SCT would see as the utopian solution.

CHAIR—It is obvious from the questioning there is a lot more probing we would want to do of your submission and we have run out of time. Would you be prepared to come to Canberra if we had a sitting in May or Adelaide in April?

Mr Mason—Yes, surely.

Mr WILLIS—I have a couple of questions on the track access aspect which is the major part of what you had to talk about. You have been quite critical of New South Wales Rail Access Corporation, but you have said virtually nothing about Victoria, except in passing. Can you give us a bit more of the flavour of the difference in the negotiations between the two authorities. Why was it apparently relatively easy to strike a deal with Victoria and so impossible in New South Wales?

Mr Mason—This takes us back almost to the history of competition on rail, Mr Willis. The initial lead was taken by the federal government and Australian National Track Access as to how track access could work. Remember there were no models to choose from; there were no draft contracts. It had never been done before.

Mr WILLIS—I think we know about AN. It is VicRail and Victrack that I am particularly interested in. Why was that so different?

Mr Mason—The approach then adopted by Victoria was to work along the lines put forward by the federal government through AN Track Access and I guess a little bit along the lines of, 'Let's have a champion team, rather than a team of champions.' Victoria was largely following the leader, not blindly, but trying to ensure that they were in step with the AN Track Access, which is two-thirds of the journey and by far the largest provider of track access. Rail Access Corporation went a very separate route and was very

strong on the principles that should govern the negotiation—they were inviolate. The evidence is that we now have three private operators running on the east-west corridor; they have been able to work through the issues. We still have none in New South Wales.

Mr WILLIS—Access Corporation said to us that they had minimum and maximum prices that they negotiate. The minimum one is to cover their operating cost. The maximum one, which they only achieve in the Hunter Valley, is to get a substantial return on capital invested. Presumably, it does not seem unreasonable to have the ambition to recover your operating costs, as a minimum. Do you see that as being unreasonable?

Mr Mason—I think there are two things. The National Competition Council was fairly critical of that on the basis that the information was one-sided. It was not available in negotiations with SCT for us to attack, criticise and challenge.

Mr WILLIS—What the operating costs were?

Mr Mason—It just became a blanket of ‘can’t do it’. Secondly, I think it is a reasonable objective for Rail Access Corporation, but not a reasonable objective for governments. That is one of the problems in forming these access statutory corporations owning the track. If we considered the road network, and said we would not operate any road unless that road recovered its costs by way of diesel fuel levy or whatever, half the roads in Australia would be shut down. Australia would be the poorer for having a very poor transport network. The same situation exists in rail. I am not asking for a subsidy per se, but I believe Australia has a responsibility to determine what infrastructure it wants open. By ring fencing the Rail Access Corporation, that gets hidden.

Mr WILLIS—With the proposed national track access body, are you saying that this means that all of the state rail access authorities should cede all control over the interstate network to the national track body, so that they have no say in the rate set or the operation of that track?

Mr Mason—No, I think that would probably be too extreme. The states should have input, but end up with a cohesive single rail track entity. One of the major problems looming on the horizon is the fact that the National Rail Track Authority has a statutory life of five years, which is totally and absolutely inadequate for people to build rail businesses with the investment required.

In their determination on SCT, the National Competition Council have recommended 15 years as the minimum contract that should be awarded. What is going to happen in five years time? Are the states going to change the rules? Will the single regime prevail if the Australian Rail Track Corporation is successful? That is very uncertain and damaging to rail.

Mr WILLIS—I do not quite see what role you think the states should have. You are saying there should be some role for the states, yet your submission is very critical of having to deal with two levels: the National Rail Track Authority and the state. What role are you saying that the states should have?

Mr Mason—If the states had no role at all, and there was a single Commonwealth role, that would

work adequately. I am driven though to say no, I can accept a role for states in that the states certainly own the track and we have a state based political system. Perhaps one way of achieving this would be that the single corporation had each of the states who had votes as their shareholders. The key to what I am arguing for is that the whole of the interstate track be treated as a single entity with a single managing director having the normal control that a managing director has. A managing director does not have absolute control; he is influenced by what his shareholders and his directors say. That is where I think the states could have input, with the objective though being to come up with a single action. I said before that a champion team will always beat the team of champions.

Mr WILLIS—Thank you.

CHAIR—I think we need to probe your submission a lot more deeply. A couple of my colleagues have just said they would like to hear more from you and I am sorry we have run out of time. If we require any interim information in writing, I trust you will respond to that.

Mr Mason—I will do my best.

CHAIR—In the normal course of events, the secretariat will send you a proof copy of evidence today. The committee accepts as evidence and authorises for publication the supplementary submission from Specialized Container Transport. Is that your personal submission?

Mr Mason—No, it is on behalf of Specialized Container Transport.

CHAIR—Thank you for appearing today.

[9.30 a.m.]

PERKINS, Mr Robert, Forward Planning Coordinator, CRT Group Pty Ltd, 1 Chambers Road, Altona North, Victoria 3025

ROBINSON, Mr John, Chief Executive Officer, CRT Group Pty Ltd, 1 Chambers Road, Altona North, Victoria 3025

CHAIR—You are a family company?

Mr Robinson—That is correct.

CHAIR—Before we go into the proceedings, I have to caution you that, although you are not under oath, committee hearings are legal proceedings of the parliament and warrant the same attention as those of the House. Any false or misleading evidence is taken as a contempt of the parliament. Do you have any additional material or amendments to your submission? I was not chastising the last witness, but there is a formality that we have to go through. If you have a supplementary paper, please declare it now.

Mr Robinson—With permission, I would like to provide an overview of the submission that we have put in, but we do not actually have anything further in writing this morning.

CHAIR—You have no more written material or any amendments?

Mr Robinson—No.

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

Mr Robinson—Certainly. In addition to our earlier written submission to the inquiry, we would like to make the following points. As we understand it, federal policy currently is to, firstly, sell National Rail and, secondly, create a single track access authority to manage access to the main standard gauge rail highway. Our belief is that federal involvement cannot end at that point. Governments must create the correct policy settings to encourage natural market forces to make the reforms happen.

Federal funding for infrastructure development is essential. Without significant funding on track upgrade, genuine sustainable competition with road will not be possible. If federal funding sufficient to adequately upgrade the infrastructure cannot be found, then in our view the track should be sold to private operators who could demonstrate the financial and operational capacity to do what has to be done. Such operators should be thoroughly experienced in rail operations.

The government must ensure that the principles of competitive neutrality are delivered. Road and rail should not be seen to be head-to-head competitors. A determined effort should be made to develop an integrated intermodal policy in order to ensure that rail does what rail is best at and road does what road is best at. Sea and airfreight are also ingredients of a truly integrated intermodal environment.

A true understanding of the Australian freight task leads to the conclusion that no single mode can be all things to all men. The government should acknowledge and develop policy to reflect the fact that an efficient cost competitive rail sector will: one, reduce road accidents and traffic congestion; two, reduce road maintenance costs; three, contribute significantly to fuel efficient transport; four, have significant environmental benefits; five, lead to significant savings in national rehabilitation costs following accidents; and, finally significantly increase, if efficient, rail freight tonnages.

We have heard a lot about access pricing from the previous speaker. We believe that below the rail subsidy—and I use the word ‘subsidy’ advisedly, because obviously there are many methods—is essential to deliver long-term economic benefits. I think the previous speaker covered that in a great deal of detail. Without some form of subsidy or significant capital contribution from government, the infrastructure cannot be upgraded to a standard to ensure that the national benefits of increased rail usage are delivered.

Track access authorities will not be capable of raising much in the way of capital funding through access pricing, if rail freight is to remain competitive with road freight costs. If there is time, Mr Chairman, I would like to refer to the accounts of the Rail Access Corporation in relation to the year ended June 1997 and make a few comments in relation to that.

Further, access pricing must be pitched at the market’s ability to pay which is set by competitive forces. This we believe is the absolute reality, and not purely on the cost of service provision. If pricing is initially pitched at the market, increased volumes will eventually reduce the subsidy and track access revenue will eventually come closer to the cost of service provision.

Our point there is that, if we are all genuine about putting more freight from road to rail, we must provide a competitive environment in which to do so. If we do not, the reality is that market forces will not respond and, irrespective of what is done to the infrastructure, the tonnes will not be there. Mr Mason made a similar point and we would strongly believe that. Particularly in the early days of access pricing, we would argue that to kick-start this rail reform process, access pricing must if necessary—to use a retail term—be a loss leader.

It must be to try and drive change, because the competitive forces out there in the marketplace in transport at the moment are such that transport operators, whilst they might be interested in rail, can only go to rail if they can provide a cost competitive service. Their clients are pushing so hard for cost-downs, that the operator himself has to provide the most economic method of freight, otherwise he himself is out of business.

Whether we like it or not, these are market driven forces and, if we are serious about rail renaissance, we must run it from the market because if we do not run it from the market, it will not happen. If that process takes place, if the market begins to respond and therefore tonnages increase, the fact of life about railways is that they have enormous fixed cost to keep them operating. Fixed cost reduces the more tonnes you put onto anything; it does not matter whether it is a trucking operation, an airline or whatever, your fixed costs are lower per GTK the more freight you put on.

The trick is that you have to kick-start the market to put more freight on. Having done that, you will

then naturally gain more cash flow from the access pricing you are paying, or receiving if you are the track access authority, and eventually what you will start to do is turn the worm. I think RAC has had a problem going from the cost base. This is the most significant fundamental problem that they have faced up to now. They are saying, 'We must recover our costs.' From what we understand our belief is the reason they have done that is because that basically is the mission statement their government gave them. They did not really have a choice as a board initially as we see it. But, fundamentally, that was wrong, because it begged the question of what is really required to kick-start rail renaissance.

CHAIR—Could we flush a few of the other things out in questions? I am sensitive to time.

Mr Robinson—I am just about through, Mr Chairman. If track access is to be managed by track authorities, we submit that user representation on the relevant boards is essential—and we think this is a new point—to ensure that the interests of rail operators are addressed. Currently, this does not appear to be the case from what we can see of the constitution of the various access boards that have been formed.

Accreditation is a necessary but complex issue. Current procedures on a state by state basis must be urgently reviewed and standardised to reduce the complexity of the current position. Accreditation complexity is a major barrier to entry and, in short, it must be simplified in some way or another. New technology and innovative thinking are required if the rail freight industry is to survive into the 21st century. In recent years, significant improvements have been made to road transport operations. The same innovation will come to the rail industry when governments relinquish their ownership and create the policy settings for privatised operators to invest for the long-term benefit to consumers and the nation as a whole.

CHAIR—Thank you. Mr Robinson, are you partly using rail at present?

Mr Robinson—We are. Our company uses rail almost exclusively for interstate line haul. We have a niche market in the transport and distribution industry. We work almost exclusively at the moment in the plastics industry and our specialty is handling the plastic polymer produced by all of the major plastic granulation corporations in Australia. We take it from their plant, we hold it in inventory in a series of containers and we distribute it all over the country to their clients as it is sold. We also package it and do various other value-added things to it. The way our business is structured, we are very strong supporters of rail. We do not want to be running a fleet of trucks up interstate highways, for all sorts of reasons. From that point of view, we use almost exclusively rail interstate and then we use road for what road is best at, that is, local deliveries in each capital city.

CHAIR—We had a lot of evidence—not so much in Melbourne, but in the other capitals—that the appropriate location and access to terminals is a big problem for private operators to get into the field. What would your reaction be to the idea of having an industrial estate with a major track access through the centre of it where people could lease off sections of it, have a development plan, be able to freehold it after they complete their development plans and to do something similar to what we have seen at Dynon but perhaps on an even more sophisticated basis again? What is your view on that for a place like Sydney and Brisbane?

Mr Robinson—The issue of terminals is obviously critical to anybody considering getting involved in rail operations. Terminal capacity, particularly in Melbourne and Sydney, is at a premium and a number of

the current problems in relation to operating rail freight revolve around the terminals. As an example, our company moves a lot of freight, particularly from Melbourne to Sydney and Melbourne to Brisbane. We also move a lot of freight from Sydney to Melbourne. In that context, our Sydney operation, which is in the western suburbs at Yennora, has rail siding access right to the door of our warehouses. Our Altona North facility in Victoria is right on the standard gauge main highway and we are, at our company's 100 per cent total cost, putting in a standard gauge rail siding there right now. In answer to your question, that is exactly what our company is doing.

How we will operate those terminals is yet to be decided. Probably, eventually we will be trying to find some alliances with other like operators, but it is not impossible that we will just use them for our own purposes. This gives some indication of the dedication of our company to rail. It is a very game move, I believe, by my owners that they have sufficient faith in the future to put a siding in at the moment because they are not cheap to put in. There are still a significant number of balls in the air in relation to rail reform and what we are doing is not without its commercial risks.

But we are a significant supporter of rail. We believe in the long-term future of rail and, for a relatively small company, we have been arguing long and hard in rail circles for a long time because we do believe in it, and we run our business accordingly. I might add that it is not without significant difficulties, a number of which have been alluded to already this morning. So we would support strongly the concept of additional rail terminal facilities. We ourselves are doing it.

Mr McARTHUR—I am impressed with your submission in terms that you are actually shifting 100,000 tonnes on rail. There are a couple of matters that I wish to address. There has been quite a lot of discussion before the committee about integrated and other alternatives of rail access. I note that you talk about the US experience and suggest that open access regimes are a failure. You might just add to that. I note you also talk about the access authorities raising revenue rather than providing the infrastructure facility. Also, why have you stuck with rail so steadfastly? Has that been a commercial position or has that been a commitment to a philosophic view?

Mr Robinson—Principally, it is a commitment to a philosophic view but it has to be tempered at the end of the day with commercial reality. We will not remain a business unless we are providing commercially viable and commercially economic line haul rates. If we do not, we will lose our client base. Whilst we have a philosophical belief in rail, commercial realities, at the end of the day, must be what drives our business. That is why we have such a significant interest in what is going on, and we have an enormous amount riding on the success of rail reform initiatives.

To move to your other question on access authorities, we have studied as best we can what has gone on in the US and other countries. Of course, rail in the US fundamentally came from different backgrounds. Most operators in the US actually own their infrastructure and provide access to others under appropriate arrangements. It appears that, in conformance with free enterprise philosophies, the owners of infrastructure, if they are also operators, are more focused in terms of where they are going to put their capital dollars into their infrastructure.

They seem to know precisely at what point additional loops have to be put in and at what point all

sorts of different infrastructure costs have to be incurred in order to more efficiently run their operation. That is an observation we have made from having a good look, as best we can, at America.

Mr McARTHUR—Do you think Australia might be going in completely the wrong policy direction by having open access regimes?

Mr Robinson—We believe it is possible. Obviously, when you are doing it for the first time, it is very difficult to come up with the precisely correct model.

CHAIR—Are you arguing against open access or are you arguing that access might best be handled through an integrated system rather than—

Mr Robinson—We are certainly not arguing against open access. We believe that is essential for proper competition and proper competitive forces. Probably the methodology by which it is done is crucial. Simplicity is the absolute key. Mr Mason spoke about and was questioned at length about his views on the various state access authorities. Our view would be, from studying them, that, simplistically, a number of them have been set up with the wrong mission statement. There has been a lack of understanding by government that unless the issue is market driven it just will not happen.

It appears that there has been a belief, and it was particularly so in New South Wales originally, that the Rail Access Corporation basically had to cover its own costs and make a profit. There was their mission statement. That was what they were given to do and it was the way their enabling legislation was set up so their board had little choice initially. Changes have been made to that now to facilitate more flexible access pricing.

We would support entirely the comments of Peter Mason in relation to the north-south corridor and particularly the corridors Melbourne-Sydney, Sydney-Melbourne and Melbourne-Brisbane. Whilst we would not argue, as a commercial enterprise, that we should be given, if we wanted to operate trains, free access to infrastructure—that is clearly not possible—we would argue that there is a vast difference between the economics of east-west operations and north-south operations. Of that there is absolutely no doubt.

That is largely brought about by the competitive road forces that are in play, particularly between Melbourne and Sydney up the Hume Highway. You only have to take a trip at midnight between Melbourne and Sydney—and I would suggest members of the panel do that before your proceedings are over—and you will be staggered at what happens on the Hume Highway after dark.

CHAIR—Just on that point, how many wagons do you shift to and from Sydney?

Mr Robinson—We do not actually own wagons, but we are moving about 100,000 tonnes, as was referred to in our submission, between Melbourne and Sydney. Our total rail tonnage is significantly in excess of that, but because we do—

CHAIR—Is it all contracted through the New South Wales authorities?

Mr Robinson—At the moment we use National Rail as our rail provider. It is an open secret that our company is also examining other methods of doing that in the future. We are examining, even as a fairly small company, whether at some time in the future we may even become an operator. I might say that is not our preferred path, but we have to find the best economical way home.

Mr McDOUGALL—I want to follow that up a little bit further. You are actually not negotiating access with the New South Wales Rail Access Corporation. Is that correct?

Mr Robinson—We have been, yes. We have been running down a number of different paths in relation—

Mr McDOUGALL—But at the moment you operate with National Rail purely on a freight rate?

Mr Robinson—Correct.

Mr McDOUGALL—So, at the moment you are not experiencing what Mr Mason was talking about, only in negotiation, that access pricing from New South Wales is unprofitable?

Mr Robinson—We have experience there because at the same time—and we go back 12 to 18 months—that Mr Mason was endeavouring to do business with the then very new Rail Access Corporation, we were in negotiations with them. We were dealing with the old organisation prior to the formation of Rail Access Corporation on the issue of track access in New South Wales. We have been in there, not to the extent that he has, but we have been in there and we have experienced exactly the same frustrations. In fact, we basically terminated our discussions for the very same reason.

Mr McDOUGALL—So your operation between Melbourne and Sydney, Sydney and Melbourne, and Melbourne and Brisbane is working and is profitable and is operational because you are taking advantage of the freight rate losses that National Rail has. Therefore, you are profitable and National Rail is not because you are getting that advantage that they are paying the access rate and giving you cheap freight rates. Is that correct?

Mr Robinson—We are simply using the only provider of interstate rail freight that is there.

Mr PETER MORRIS—You do not want a cat when there is one next door!

Mr McDOUGALL—I can understand that, but I am just making sure I am getting to the point. What is needed—and the previous witness could not answer this—in an infrastructure principle between Melbourne, Sydney and Brisbane to be able to make some sort of return, at least break even on infrastructure, if you are going to put more investment into it? The public in Australia is not going to put investment into infrastructure if they are then going to have to pay the losses as well. There has got to be some return.

I am trying to find out what is the problem. I understand that it is longer from here to Perth. But it is a fair distance from here to Brisbane. We have heard all about the back country of Sydney and all the delays and the curfews and all those sorts of problems, but what is it that is going to make access possible and at

least viable on the north-south run?

Mr Robinson—Our view would be as follows. There is no doubt that there needs to be money spent on infrastructure between Melbourne and Sydney, and Sydney and Brisbane. That goes without saying. It will be quite significant, particularly between Sydney and Brisbane.

There is an alternative proposal, which you would be well aware of, being examined at the moment—almost the backward route to Brisbane. We believe that that ought to be strongly supported because, with the best will in world, if the coastal rail route between Sydney and Brisbane has mega-dollars spent on it, it will certainly improve it but it will not give anything like the long-term benefits that the other proposal will, in our view. So, without doubt, money has to be spent on infrastructure.

Sydney, if we are talking about Melbourne to Brisbane, needs to be bypassed. From a rail point of view, Sydney is an absolute bottleneck because there is no simple way through Sydney by rail. Therefore, that is a major infrastructure difficulty that must be overcome, and that is a key benefit of the alternative proposal.

The question of access pricing I think I have addressed before. We believe it must be initially market driven, because if you do not market drive something you will never get any clients. No matter what we want to do in life, if we want to launch a new product we have to launch that product into a marketplace at a price which the public will pay. We are not looking at anything different here. We have got to start, to get out of the blocks, by offering access to rail at a price that the average freight forwarder is prepared to pay, because all he will simply do is compare the costs of going by rail with what he is currently doing on the road.

The other issue which seems to us important, and which we believe government probably has substantially overlooked, is that there does not appear to be the same economic rationale applied to roads as there is to rail. All the discussion on rail seems to be around the question of, 'We have to make a return on capital; we have to cover costs; we have to do this, we have to do that.' We would argue that the Commonwealth has a responsibility to provide an efficient rail system in some form or other—obviously there has to be a limit to how much that can be government funded—just the same as it does with roads. I do not know the answer to this but is it simply the fact that roads get more votes than rail? I do not know. But massive amounts of money, without doubt, are poured into roads—

Mr McARTHUR—Yes is the answer.

Mr Robinson—There is no question about that, and we simply submit that that is an inequity—and an inequity which we believe should be addressed, if we are fair dinkum.

CHAIR—Do you support the proposal that has been put to us by a couple of witnesses that the infrastructure from Brisbane to Perth, the major infrastructure, should be treated like the national highways in roads and be funded accordingly?

Mr Robinson—Yes.

CHAIR—Not all the system, just that corridor.

Mr Robinson—We would agree with that submission because clearly that, if you like, No. 1 rail highway has to be upgraded, has to be protected, has to be nurtured if it is to be successful. There is no doubt about that. There will be some—we will not have time to go into them here—access complications, even if we go down this route, for rail operators who, for instance, might want to run a train from, to pick an example, Melbourne to Sydney and then, for instance, go out to somewhere on the New South Wales regional system. That will, of necessity, still mean probably protracted negotiations with more than one track authority. But at least for those operators who would want to limit their operations to intercapital city work, a single track access authority would go a long way to solving that.

Mr WILLIS—Mr Robinson, I presume that since you are making an investment in the rail siding you consider that rail services are better for you, cheaper for you, than road. Is that right?

Mr Robinson—It is very, very much a line ball, and it has to be looked at on different corridors from a different perspective. We would support entirely what Peter Mason has said about east-west versus north-south. Our particular problem as a company is that we move a lot more freight north-south and south-north. We do go to the west, but not in the same volumes. Therefore, the critical corridors for us are Melbourne-Sydney, Sydney-Melbourne and Melbourne-Brisbane.

Mr WILLIS—So you are dealing in the most difficult area—north-south.

Mr Robinson—We are dealing in the most difficult area.

Mr WILLIS—Yet you are making a considerable investment. What is that investment, by the way, in the siding?

Mr Robinson—Just to put a rail siding in is costing us way over a million dollars.

Mr WILLIS—So you are putting a million dollars into a facility which commits you to rail presumably because that is more economical for you, even despite all the shortcomings of the present arrangements?

Mr Robinson—I mentioned earlier that there are significant commercial risks at the moment in what we are doing because everything is by no means settled, in terms of whether what we are trialling will work. We believe that in the long run it will, but we have had to make a business judgment to do so. We have got colleagues in the industry who, I might say, have said that we are mad.

Mr WILLIS—Presumably, your business judgment is that it will be economical to go down the rail route, rather than go to road?

Mr Robinson—For the way we philosophically wish to run our business, we are going to be working hard to make sure it works. Unfortunately, we are only a very small—

Mr WILLIS—Is it philosophy, or dollars?

Mr Robinson—It is has got to be dollars eventually because otherwise we are not around to run with the philosophy.

Mr WILLIS—That is right.

Mr Robinson—We must be commercially driven, basically. There is no question about that. If we had to go off-rail onto road for commercial survival, clearly, we will do it. But if we do it, there will not be much rail freight running around because a lot of others have already bailed out of rail. This is a real fear that must be addressed because the next five years are going to determine whether we have got a viable rail freight industry in this country, or not. If we do not grab it in the next five years, it will be gone.

Mr WILLIS—If there were the improvement to the current arrangements, for instance, by a reduction in access pricing, would you expect that to result in reduced freight rates for you, or just improved profitability for the rail operator?

Mr Robinson—For the operator. I think the answer to that is that we are not seeking as a commercial business to try and drive an unacceptably cheap deal from using rail infrastructure. We recognise what rail is all about. We recognise that it is a costly business to run and that as a user, we must pay our fair share. But simply put, we are commercially driven. Rail is but one mode that we can use to transport freight around the country. If we can do it cheaper by road, then ultimately, irrespective of how we are philosophically as a company, we will be driven to that by our client base because our client base has only one philosophy: the cheapest price they can get from A to B.

Mr PETER MORRIS—I see. What you are saying is contrary to what most other witnesses are saying. It is a factor, but not the prominent and only factor.

Mr Robinson—I can assure you that in our industry, whilst there are a lot of nice words spoken about environmental pluses and all sorts of other things—

Mr PETER MORRIS—No, simply about reliability—

CHAIR—What are you saying, Mr Morris? I do not quite get your point.

Mr PETER MORRIS—I do not agree at all with what he is saying, that price is the dominant and only factor. When you go to the submission it says that freight moved by rail in the past has not been effectively monitored, leading to delivery delays, lost or misplaced containers, low productivity, poor performance standard, lack of care and lack of efficient and effective handling of goods transported by rail freight operators. Price is a factor, but we have been told repeatedly that the number one factor is reliability.

Mr Robinson—That is true—

Mr PETER MORRIS—Which is true: reliability, or price?

Mr Robinson—I think that reliability is obviously a key factor.

Mr PETER MORRIS—The key factor?

Mr Robinson—I would not say the key factor. It is up there as one of them. The reason that I have not thus far referred to it is that in fairness to National Rail, I think that in the last four or five years a lot has happened to improve reliability.

Mr PETER MORRIS—I am sorry, Mr Willis, I could not contain myself.

Mr WILLIS—That is okay.

Mr Perkins—Can I suggest that many of those other things are a given in this industry in this day and age. Most companies expect on time delivery and undamaged goods—a reliable service. If you are not offering that, I am sorry, you are not at the table.

Mr PETER MORRIS—Your own submission says that to get goods from Sydney to Albury, you go to Sydney, then Melbourne and back by broad gauge to Albury. Is that timeliness?

Mr Robinson—That is an absurd inefficiency which will—

Mr PETER MORRIS—That is what your own submission says.

Mr Robinson—I know that. We have put that in there as an example. But that issue will be dealt with the way things are developing anyway. In the short time that I have got available I am trying to address the issues that are a problem from here on. There are a lot of issues that have been partly addressed already—reliability is one of them. It is improving, but it has got a long way to go. National Rail certainly have gone some way to improving the parlous situation they inherited five years ago. There is no doubt about that.

CHAIR—Have you got any more questions? I was fascinated and a bit surprised by Mr Mason saying that he did not think it was significant that—I mentioned him and you were probably here when I said it—there are two philosophies. You said that within five years the system will, to all intents and purposes, collapse as a competitive form of freight if there is not a vast change. Other witnesses have said that something in the order of \$3 billion to \$5 billion needs to go into the national rail system. More pragmatic groups seem to say that if we took all the hot spots between Brisbane and Perth and really made an effort to fix those—doubling the size of loops, getting some of the worst curves out, getting rid of some of the worst grades where they exist—and if we did this incrementally, we would make a vast improvement. Do you have a view on which way governments should be leaning?

Mr Robinson—We would have a view on that. We would argue strongly, as I did earlier, that there is no doubt that there needs to be significant infrastructure improvement if rail is to have a long-term future. There is no question about that. I was here at the time Peter Mason was making the point that if you have got the greatest product in the world, but it is not set at a price which the market can afford, the market will not

take advantage of the opportunity that presents itself.

CHAIR—Yes, I accept that, but we have also had a lot of other evidence that says rail is too slow, that trucks can get down in eight hours and the train takes 14 hours from certain sections. We had evidence that the passing loops need to be twice the length that they are today.

Mr Robinson—There is no doubt in our view that that is correct. We would not be as strong as he on the fact that if you spend this money you will not get a benefit. I think you will get a benefit because there are a lot of different users, there are those that are hauling just in time freight where every hour is absolutely critical. There are others to whom one hour or two hours, depending on what they are doing, is not as critical. We are in that latter category with some of our business. We are in the JIT category in relation to some other. There is no doubt in relation to JIT operators that the improvements you are talking about would significantly improve the prospect of getting more freight onto rail for those operators, because they are in a business where time is critical, reliability that Mr Morris referred to is critical and in full-on time is critical—very much so to those people.

CHAIR—That was a very forthright submission and we appreciate that. As my colleague said, it was a very good submission and we thank you very much. It is interesting to hear someone who is so committed to rail and prepared to be critical of the things that are bad and positive about things that are good. I think that gives us a very balanced view from someone who is not necessarily an operator at this stage, but is using the existing system. We thank you very much for attending. If we require any follow-up information, would you be agreeable to letting us have that in writing?

Mr Robinson—We would be more than prepared to help.

CHAIR—As is the custom, the secretariat will provide you with a proof copy of today's evidence.

Mr Robinson—Thank you.

[10.09 a.m.]

BRENAN, Mr David, Consultant, Railroad Technologies Pty Ltd, 14 Eastern Avenue, Doncaster, Victoria 3108

KNIGHT, Mr John Keith, Chairman, Railroad Technologies Pty Ltd, 14 Eastern Avenue, Doncaster, Victoria 3108

MORTON, Mr Rodger William, Director, Railroad Technologies Pty Ltd, 14 Eastern Avenue, Doncaster, Victoria 3108

CHAIR—We welcome to the table Railroad Technologies Pty Ltd and thank you for your attendance here today. If you should use any names or quotations would you defer to *Hansard* before you leave for the accuracy of the record. I have to caution you before these proceedings start that, although you are not under oath, committee hearings have the same legal weight as those of the parliament and deserve the same respect that are accorded to the House. Any false or misleading evidence is taken as a contempt of the parliament. Do you have any additions or alterations to your submission?

Mr Morton—We have some papers here which really explain what it is that we are offering. If we get the opportunity, we would like to address those after this statement.

CHAIR—Okay. With the reservation that there are some other papers, there are no other technical alterations to your submission?

Mr Morton—No.

CHAIR—Are you going to lead, Mr Morton?

Mr Morton—Yes.

CHAIR—Could you give us a three-minute overview of your submission; could you do it in three minutes?

Mr Morton—I think so.

CHAIR—We are finding that not all committee members have been able to ask the questions they wanted to. If we keep the opening statement short and you just hit the highlights, we can pick up on the other things in questions.

Mr Morton—Mr Chairman and committee members, it is with pleasure that my colleagues and I appear before this committee, which is examining the role of rail in the national transport network. Our interest and aim in putting a written submission to this committee on the subject being investigated is far more narrow than the terms of reference of your committee. It is specifically related to the role of rail freight. Our major concerns, as a potential service provider in the future, are what could be described as the barriers

to providing efficient and effective services: mainly, the condition of the tracks, train management systems and access pricing.

At present Railroad's market share projections are based on transit times between Melbourne and Sydney, which are a little longer than those which can be achieved by road transport. With the current infrastructure, we can provide an 11-hour service terminal to terminal. With a little investment—a small amount of investment we believe—it is possible to improve the quality of track in specific sectors as well as provide more passing loops, particularly in Victoria, and delivery times could be reduced by 20 per cent from, say, 11 hours to a sub nine-hour trip, which would in turn increase the attractiveness of this mode of transport. This could add as much as 20 per cent to the market share we ultimately achieve.

With regard to train management systems, one of the things that Railroad prides itself on is the effective use of information technologies. Anecdotal evidence given to Railroad in the context of recent media discussions and rail conferences—and there is a paper attached, which is with those there, which covers that; it is an editorial—suggests that leading edge train management systems for effective scheduling and control of train movements on the track will be a critical issue impacting on the future success of the rail sector. Effective scheduling will enable providers like Railroad to meet demanding delivery times without the threat of delays caused by, for example, bottlenecks at passing loops. When our project reaches maximum capacity, we are planning to run eight one-way trips per day between Sydney and Melbourne. We understand the current infrastructure would be inadequate to handle this volume.

The final area we wish to formally raise with the committee is that of access pricing. A number of observations are made from the perspective of a future service provider. The reality is that rail freight is competing in an historically biased marketplace. Significantly more funds have been applied to the development and maintenance of the total Australian road system than has been spent on rail. While the merits of the policy are not questioned, it is a fact that a level playing field does not exist between road and rail.

In trying to establish a degree of fairness among the competing options—that is, rail and road—it is suggested that access prices be reduced to restore a balance. A way of achieving this would be for the track access authority to value their capital asset at zero—in other words, zero base the capital asset. This mirrors the current practice in regard to roads, which are not allocated a capital value by either federal or state governments.

On this basis, prices can be set to recover the cost of maintenance and new investment but would be at a lower level than currently charged. Performance of the access corporation would be assessed on the basis of the return on revenue rather than on the return on capital and would be much better focused in the circumstances. To ensure that new services such as ours are able to flourish, we believe governments should retain some regulatory powers in relation to pricing and profits of the track access authorities. This will ensure that the rail sector recaptures its dwindling share of freight transport.

In conclusion, the government reform process is a major step in the right direction. The comments made by Railroad Technologies here today merely reflect a need to continue with the reforms. This will ensure that certain peculiarities of a previously highly regulated marketplace are considered in the decision

making process, including the urgent need for track upgrades, effective train management systems and access pricing models that encourage participation in this form of transport.

We believe, therefore, that priority should be given to: the upgrade of the main line track from Melbourne to Junee to improve track quality and increase traffic capacity by adding or extending passing loops; the evaluation of the potential for computerised train scheduling and control to improve the effectiveness of the available assets; and, lastly, reducing track access pricing.

CHAIR—I take it from that submission that you are an incrementalist; that, if we could take out the hot spots, especially on the Melbourne-Sydney corridor, with extra loops, extending the existing loops and so forth, you would see that that could make a vast difference to the operation that you propose in the future?

Mr Morton—In terms of the scale of the funds which the federal government has allocated, yes, we believe we could do it for a fraction of that.

CHAIR—And you intend to run 10 trains a day, did you say?

Mr Morton—No. Eight single trips per day. It is actually six physical trains. The operation will start with two trains, one travelling in each direction each day; two more will be added at the end of the first year and two more at the end of the third year, which makes a total of six trains. But accelerated scheduling will allow us to have six out at all times in the terminals instead of 12. This was a schedule that the National Rail Corporation put together for us, and it certainly gives us better use of the asset.

CHAIR—As the Commonwealth is moving to accrual accounting, even for roads, your proposition of a zero rate in the value of the infrastructure may not find acceptance, but do you propose any alternative model such as the one we discussed, I think with Mr Mason, of perhaps some community service obligation or some form of subsidy to the track?

Mr Morton—The suggestion was made really to look at the balance between road and rail and the way they are currently treated.

CHAIR—Do you believe in this concept that the Commonwealth should own the tracks, albeit with the concurrence of the states?

Mr Morton—Absolutely.

CHAIR—From Brisbane to Perth.

Mr Morton—From Brisbane to Perth only. If you can separate it from Sydney then you will achieve a huge amount. We are not planning to go anywhere near Sydney. We are talking in terms—

CHAIR—But the reality of that is you have to, don't you, at this stage?

Mr Morton—No. What we are planning to do is to go from the outskirts of Melbourne to the

outskirts of Sydney without going inside the electrification envelope. This gives us a quicker route and it gives us much more access to paths.

In terms of the northbound, from Sydney to Brisbane, I think we have concluded that it is impossible to do it by going around or through Sydney. We would want a second terminal on the north of Sydney, probably Newcastle.

CHAIR—Rather than go through Sydney?

Mr Morton—It is practically impossible—to run the sort of service that we are talking about.

Mr ROSS CAMERON—How would you get to Newcastle?

Mr Morton—By road. We are talking about a road-rail interface. It is an intermodal service which actually carries the road vehicle—not the prime mover but the trailer. I accept what Peter Mason was saying about SCT service—he could not run that on this corridor. It simply is uneconomical unless you give him the rails. We are talking about a fundamentally different model.

CHAIR—Say there was a dedicated freight loop around Sydney or through Sydney?

Mr Morton—If it is around Sydney it is possible, but if it goes through the electrification envelope it simply will never have the height. It is just not possible. I understand RAC is talking about half a billion dollars to modify the existing freight infrastructure through Sydney. We still could not use it if they spent half a billion. Total waste.

Mr PETER MORRIS—Just to come from left field, Mr Morton, and looking at your submission—and naturally I am attracted to what you are saying about Newcastle because Newcastle is where I am from—nowhere in any of the submissions do I see any reference to the use of sea transport. There seems to be a given that there would be more use of rail transport that could be taken from road transport. I looked at the expansion and the size of the market, not just the shares of the market. Most of the submissions seem to deal with about who gets what share of the market.

The other thing is that in nautical circles there is quite a deal of work going on on surface effect vessels, 100-knot vessels. A number of universities are working on the construction of those vessels, modelled on Russian designs, that would move cargoes in 10 hours from Melbourne to Sydney, particularly for international connections. Given your broad background—I looked through the profiles of each of your members—has any thought been given to that, or any thought given to shipping east to west, which is already happening?

Mr Morton—Let me take the last point first. We are not of the transport industry, so we do not know it cannot be done. We are looking at it from a strictly commercial basis. Our service will work best, we believe, on routes of up to 1,000 kilometres. It is to do with the amount of handling at each end. If you have got to get it from a factory to a consumer, it is the total handling that is the issue. Therefore, with the SCT approach, you have a very large amount of handling but that does not matter because you are carrying it

across the Nullarbor. The line haul task outweighs the handling.

On the Sydney-Melbourne corridor, we believe that the reason it will never work, doing it the way that it is being done, is that people do not want to use boxes, and that is the only real way of getting stuff from Melbourne to Sydney. There are some exceptions, as the last witness—

Mr PETER MORRIS—Doesn't it start with the nature of the cargo that you want to move?

Mr Morton—If it is bulk, yes. I have driven on the Hume Highway a lot, and we are proposing to take about 38 per cent of the trucks off that highway. So we are looking at the highway alone. We may take other freight. We take freight from existing rail services, but we are not factoring that in. To answer your question about sea freight—

Mr PETER MORRIS—You have not factored in any consideration of sea freight?

Mr Morton—No.

Mr PETER MORRIS—Most the argument you are putting about rail I hear coming from shipping sectors on the use of fast surface effect vessels. These are 100-knot ships carrying up to 300 containers, and they are doing exactly the same thing that you are talking about.

Mr Morton—If it is containerised and it is for domestic consumption and it is coming from a domestic source, it is not going to work because the manufacturers will not do it. They will not put consumer goods into containers because it is not cost effective. Every time you handle a pallet, it costs \$5. We are talking about significant savings here because we are not handling the pallets as many times. If you put goods into containers, you have to put them in and you have to bring them out again. You have small delivery wagons ending up at distribution centres and the goods are being handled again. If you can reduce the number of times the goods are handled, you reduce the cost of moving them.

Mr WILLIS—Exactly how does this system work?

Mr Morton—I will give you a thumbnail sketch. In the papers that are there, there are a few diagrams. If you look at the first of those, you will see that is a—

Mr McARTHUR—What are the unique features of your proposal compared with what other witnesses have talked about regarding containers and movement on rail? Can you just give us a very simple overview of how you are going to run this whole operation?

Mr Morton—Okay. We have got land on option just north of the Ford factory at Somerton—about 150 acres. We have a similar amount of land this side of Campbelltown in New South Wales. In both cases it is between the main line and the Hume Highway. That is the specification we set for it. So instead of driving a load up the Hume Highway, a company like Linfox would drive into the terminal at Somerton. The entire operation would be electronic, so the load would be booked ahead giving transponder numbers. The transponder numbers would identify both the prime movers and the load. Therefore, when they arrive at the

gate, they are recognised. The load is laser profiled to make sure that it will fit through the tunnels—that is fairly important, I am told—and it stops for 15 seconds to be weighed. They are security and costing issue because we believe that the pricing will be affected by that.

CHAIR—Mr Morris, this is very similar to what we saw in our earlier inquiry in the previous parliament into the wharfs moving towards a system like this.

Mr PETER MORRIS—Electronic labelling—

Mr Morton—That is right. So by the time a truck gets through, still under the control of its driver, an electronic indicator says, ‘Go to car park No. 45.’ If you look at the last of the three sheets that are there, you will see the way that the loading and unloading operation occur. At the bottom there, you have—

Mr McARTHUR—Mr Morton, you need to make clear how you get the truck onto the train.

Mr Morton—Yes, that is right. The diagram at the back shows a truck coming in. You can see the truck driver takes the truck in, gets out of the cab, drops the legs, disconnects the prime mover and drives away. At that point he hands over the control of the trailer to the railroad operators.

CHAIR—How does yours differ from the one we saw yesterday where they jack up the wheels of the semitrailer?

Mr McARTHUR—Mr Morton, you are not making it clear as to how you actually get the truck onto the flat-top.

Mr Morton—Sorry. It is backed onto the train. In the diagram you can see that a tractor backs the trailer onto the surface of the train. The wheels are then dropped to within a few inches of the rail surface to give us a low centre of gravity and clearance. So to compare it with the roadrailer, the trailer there forms the wagon itself. Structurally it is the wagon. The downside is that it has got to be a lot heavier, therefore its actual load carrying capacity is significantly reduced and it is very expensive.

Mr McARTHUR—But the key bit of the technology is that the flat-top of the rail is exactly flat with the station platform. You are not making that clear.

Mr Morton—I am sorry; you are quite right. You can drive right across the train while it is in the terminal. We are talking about an integrated terminal and rolling stock, which is the approach that we have taken. We do not believe it has ever been done anywhere in the world.

Mr PETER MORRIS—I was just going to ask are they in use—

CHAIR—In other words, if this table was the platform height—

Mr Morton—Just about the right height—700 millimetres. This is a little higher. The train pulls in to a well. A semitrailer can be driven right across it.

Mr McARTHUR—What you are saying to the committee is: the semitrailer can drive on from the sideways position, compared to the US experience where they drive them on from the back.

Mr Morton—That is it.

Mr McARTHUR—So you can get it off and on quickly.

Mr Morton—Yes.

Mr McARTHUR—Your whole concept is based on the argument that you will shift a container truck onto the flat-top quickly, get it off quickly in Sydney, and then drive it to its final destination. Your concept is that you will change the economics of the Melbourne-Sydney corridor because you can get the road modal section off and on the rail quickly—

Mr Morton—Yes.

Mr McARTHUR—and to its destination in a time-sensitive arrangement. That is the idea.

Mr Morton—Correct. It is about an hour, we think. Our calculations say an hour to unload and load the train, because it can be done at the same time.

Mr McARTHUR—So you are saying that, compared to the witness just before, your conceptual argument is that you will start to compete very strongly with the road transport on the Hume Highway because you will move it on the rail and you will get the extra time advantage, if you can get a timeslot at either end in the capital city, to deliver to the customer.

Mr Morton—Correct. We need a little more speed; we have not banked on it. The service that we are proposing really is incremental, because it is going to take us five years to build to a full operation. During that five years, some work must be done on that track. I refuse to believe that it is going to be left in the condition that it is in. Given that, we are going to be offering at least one high-speed service a day—sub nine hours. If that is true, we are told that we will not have problems with reaching 80 per cent utilisation, which is what we have used in our figures. But we will get 100 per cent, and that is from a major freight forwarder.

Mr WILLIS—Mr Morton, maybe I am particularly slow, but, I have got to the stage where you have got the trailer diagonally across the train. At this stage, it looks to me as though it would be about twice or three times as wide as a normal train. How does it straighten up and become—

Mr Morton—It is just backed on. It is reversed onto the train, as if it were reversing through a gateway.

Mr WILLIS—But your diagram here has it diagonal.

Mr Knight—One of the main things with all of this is that it has to be almost seamless road to rail, rail to road. When the semitrailer is parked on this level platform, it is then backed on because it has wheels.

We have our special tractor and it just backs onto the train. But one of the beauties of this is that it can be put on anywhere along the length of the train.

If you have some urgent loads or urgent trailers, they can come off within five minutes of the train arriving at the destination. That is very important. We do not have the queues of trucks waiting and piling up waiting to get a load on and load off—and the same way coming off. It is simply driven off the train by the tractor, taken off, and a shuttle prime mover then delivers it.

CHAIR—Do you have a prototype of this yet?

Mr Knight—We have been doing all of this. We have actually physically handled the trucks in a yard, yes.

Mrs CROSIO—Could I continue on that point? You have said that you have actually physically done it.

Mr Knight—Yes.

Mrs CROSIO—Is it feasible for the one truck to be able to put on and take off the train?

Mr Knight—It is feasible; however, it would be a better utilisation of the asset of the prime mover to actually deliver that to the terminal and then to pick up another load and deliver it as quickly as possible.

Mrs CROSIO—That is my point. The truck came in to deliver a load to go on the train but, at the same time, it has gone around and come to the other point and taken one straight off to be delivered somewhere else.

Mr Knight—That is right.

CHAIR—In other words, this whole thing in the illustration on page 3 is at the elevated height.

Mr Knight—Yes.

CHAIR—So you can manoeuvre all sorts of freight.

Mr Knight—Yes.

CHAIR—You have a huge platform space either side of the rail line.

Mr Knight—Yes.

CHAIR—And did I get it right that you said that, in some sort of emergency, if you had to take one of the trailers off, that would be possible? It might take a bit of manoeuvring, but you could get it off.

Mr Knight—No—anywhere along the length of the train.

CHAIR—You can get it off?

Mr Knight—Yes, and put another one on from the other side.

Mr PETER MORRIS—Where a platform exists?

Mr Morton—Where a platform exists, yes.

Mr Knight—Yes; but the platform is the full length of the train.

Mr McDOUGALL—Have you gone into the technology and the feasibility of how to do it?

Mr Knight—Yes.

Mr McDOUGALL—Who pays the bill? Someone has got to go out there and build a whole infrastructure. We had a look at that yesterday at Australian National, in relation to the difference between the yard and the cost of the development of the yard of Australian National to V-Line across the road. You were looking at considerable cost differences in the infrastructure development. Someone has to build the wagons and pay the capital cost. We have heard here this morning that National Rail is running Melbourne-Sydney at a loss. How are we going to get some investment for the rail yard terminal infrastructure, which is obviously going to be considerable to be able to take this sort of train? I would imagine you would want to get up to about 1,200 metres of train, to make it viable; and so you are looking at a 1,200 metre platform on either side of the rail line. And then you are talking about the construction of the wagons.

Mr Morton—We are talking about a proposition which has \$100 million of capital requirement.

Mr McDOUGALL—All up?

Mr Morton—All up.

Mr McDOUGALL—And National Rail is losing money.

Mr Morton—But National Rail is losing money primarily, we believe, because they are handling the wrong sort of freight.

Mr McDOUGALL—I am sorry. Mr Mason said they are losing money because of their access price to the track.

CHAIR—But you are going to do this as a commercial venture, aren't you?

Mr Morton—We are doing this as a commercial venture. We have taken the National Rail Corporation figures—because they have given us haulage fees.

Mr McDOUGALL—What I am trying to find out is this. You going to build the terminal.

Mr Morton—Yes.

Mr McDOUGALL—You are going to build the wagons.

Mr Morton—Yes.

Mr McDOUGALL—And you are quite satisfied at the moment that you can come to an arrangement with the New South Wales access authority—

Mr Morton—No. At the time we negotiated these figures, National Rail Corporation was in court with the Rail Access Corporation, trying to establish a fee. We said that under those circumstances it was not possible. We went to the National Rail Corporation and said, 'Give us a figure. Make sure it is not going to go up.' The figure we have is classified as a maximum figure. We have had it checked, and it is realistic. We could do it privately for the same sorts of figures. On that basis, we are talking about returns on investment of between 20 per cent and 30 per cent. For the service we are offering, we will make a lot of money with existing track access pricing. If you want to bring it down, it will make it easier.

Mr McDOUGALL—Okay.

Mr Morton—That is basically it. Mr Mason is totally correct: in terms of the service which SCT is operating, it will never work and should not work on this corridor. The corridor is not long enough for it.

CHAIR—Mr McDougall has made a very good point that to some extent, as one of the previous witnesses said, you are taking advantage of the existing rail system.

Mr Morton—Yes.

Mr McDOUGALL—That is not inappropriate, given the circumstances. From your studies, could you give us a thumbnail sketch of some of these things? What are the greenhouse implications of what you do? Have you checked that out? What is the diesel litreage saving? What is the cost of a semitrailer load to Sydney, on rail as against on road?

Mr Morton—I will take the first part first. The savings to federal and state governments with this thing in full operation are in the region of \$30 million per year. That is the outright savings on environmental costs, accidents and maintenance of the roads.

CHAIR—Based on six movements on the Sydney-Melbourne corridor?

Mr Morton—This is four movements in each direction, each day. In terms of the costings, we are talking about chopping somewhere around 20 per cent off the cost of a semitrailer driven up the highway.

CHAIR—A 20 per cent saving?

Mr Morton—A 20 per cent saving. There are much bigger savings. I do not know if we have time, but certainly talking to the retail sector, the hot button at the moment is a thing called cross-docking, which is where you have very large distribution centres, deliveries are coming into the centres and historically they have gone into the warehouse and out of the warehouses come the drawings for the stores. Cross-docking means that the goods never get into the warehouse. The manufacturer's wagon comes in at this side and it is fed straight across the dock into an urban delivery vehicle for delivery out to the stores. So it does not go into warehouse stock. It is taking just-in-time philosophy and applying it to retail.

CHAIR—I was out of the room just for a minute, but are these semitrailers conventional semitrailers?

Mr Morton—At the moment, yes.

CHAIR—Do you propose that they would be specialised ones?

Mr Morton—Eventually, yes, because there will be more economical ways of doing it.

CHAIR—Are you going to do this only for your own semitrailers or are you going to do it for other people?

Mr Morton—We are not in the transport industry yet.

Mrs CROSIO—But you have also demonstrated that you can handle both lorry and van on this plan.

Mr Morton—Yes, you can. In practice they will not have engines attached. There is no point in carrying all that metal. If you take the logical extension of cross-docking and put a distribution centre on our land next to the terminal, you can cross-dock in Melbourne for Sydney street delivery into an urban vehicle.

So, road vehicles are getting bigger and bigger to get the economies of labour and fuel. We have taken it to the ultimate extreme. We have said that instead of a B-triple, what we have here are 83 semitrailers one after the other, with one driver and one set of fuel, two locomotives—

Mrs CROSIO—Why was it not thought about before?

Mr Morton—Because everybody has taken the traditional approach. You have to work with the stuff you have got. Either you work with existing terminals and modify your rolling stock, or you work with existing rolling stock and modify your terminals. Nobody has zero based it. Because we are not in the industry, we do not know that it cannot be done. In the States piggyback—as they call it there—is still the major carrier. That will not work on this corridor because you do not have the height.

CHAIR—So you have to do it laterally or horizontally?

Mr Morton—No.

CHAIR—You have to go horizontally?

Mr Morton—Yes, but we are dropping the load down. The bed where the wheels are comes down.

CHAIR—These will be special wagons?

Mr Morton—Yes, brand spanking new ones that are integrated with the terminal design.

Mr ROSS CAMERON—Are you saying that you pull the trailer on and then the platform drops down? What happens there? How do you get that lower centre of gravity?

Mr Knight—It is embarrassingly simple. When you actually back the trailer onto the wagon, it is then lowered. The wheels at the same level as the wagon are welds and the trailer wheels actually lower down. The trailer wheels are only about yea height from the actual railway line because they are lowered down. This has the effect of a lower centre of gravity, laterally stabilising the load and giving the vertical stabilisation. There are so many advantages in being able to do that.

Also there is the fact that it is a very low profile wagon to start with. We are able to start with a clean piece of paper and say we are not bound by all of the traditional problems that you have had in wagon design. We have used some of the best minds in wagon design in Australia and also this has been considered by many overseas. A lot of these concepts have been used in such things as the Chunnel design and all of that. We know what we are doing works; it is not as though we are starting from scratch.

The tape recording was interrupted at this point and approximately 15 seconds of sound is missing—

Mr Morton—That means that they will never be shunted—they are a fixed length, in other words. They are about \$11½ million and so, with six of those, you are looking at somewhere around the \$60 million to \$70 million mark. The rest of it is for the land and terminal construction, and for handling equipment—but there is not much of that.

CHAIR—Does that cover the two terminals, one at each end?

Mr Morton—Yes.

CHAIR—And the Newcastle one?

Mr Morton—No. What we have done is treat it like a ship. We have said Melbourne-Sydney is where the volume is. It is also where there is a lot of competition on the road.

CHAIR—You do a smaller one at Newcastle and Brisbane: is that the idea?

Mr Morton—That is probably the way it would go—and almost certainly at Adelaide, as well. I do

not think it will work to Perth: I am not saying it will not, because it will hit me later, but I do not think the economies are there.

CHAIR—This is better for the medium hauls?

Mr Morton—Yes, precisely: short to medium. In Europe, they are talking about using a much more complicated technology than this. They are saying it is economic down to 200 kilometres. We have been told already that we have got to stop in Albury, and the cost of doing that is very small for putting in a terminal that we run one train every two days through. It picks up from Uncle Ben's and from Borg Warner and takes it to Sydney or down to Melbourne.

CHAIR—I am sorry we cannot continue this, because it has been very stimulating, as you can tell by the spontaneity of the questions.

Mr PETER MORRIS—Very briefly—and you can answer this in writing—it seems to me that, with all that you are saying, its success or otherwise is predicated upon the reduction in the handling time at either extremity of the journey.

Mr Morton—Yes.

Mr Brennan—But also upon the interface between road and rail: that is a very important aspect.

Mr PETER MORRIS—I would like to see some numbers.

Mr Morton—The numbers are available, if you want to see them.

Mr PETER MORRIS—I had better not, because the chairman has got a very tight timetable, but I would like to get some numbers on time and dollars: how many dollars per turnaround minutes.

CHAIR—Are you based here, Mr Morton?

Mr Morton—Yes, in Melbourne.

Mr ROSS CAMERON—It is your money, anyway.

CHAIR—Thank you very much to Railroad Technologies and particularly to the three of you for this very stimulating submission. If you can do some figures, I am sure we would appreciate that.

Mr Morton—The only problem is that, to this point, we have only released figures to people who have signed confidentiality statements.

CHAIR—We cannot give you that.

Mr Morton—Yes, I know that; and therefore I am struggling with what we can give you. We can

certainly tell you the length of the train, the weight of the train, turnaround times, and so on.

CHAIR—Yes, those sorts of things.

Mr Morton—I will give you some of those.

CHAIR—Also on the greenhouse implications, fuel implications, semitrailer implications: all of that.

Mrs CROSIO—That is unreasonable: the rest of them—

CHAIR—A two- or three-page, nice sharp dot-point analysis.

Mr Morton—Consider it done.

CHAIR—If you would let us have that—and answers to any other questions that we might ask you in writing—by responding in writing, we would be grateful. You will get a proof copy of today's proceedings. We will accept the three-part document *Dispatching advances will boost efficiency* as background information. Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it so ordered.

The document read as follows—

CHAIR—Thank you once again for appearing here today.

[10.45 a.m.]

GIBSON, Mr Donald, Chairman of Directors, West Coast Railway, Level 3, 75-77 Moorabool Street, Geelong, Victoria 3220

CHAIR—I welcome to the table the representative of the West Coast Railway. No doubt you are doubly welcome, given Mr McArthur's position on the committee. If you have any names or quotations in the course of your submission, could you defer to *Hansard* before you leave for the accuracy of the record?

Mr Gibson—My name is Donald Gibson, and I am the Chairman of Directors of the Victorian Railway Company Pty Ltd, which trades under the business name West Coast Railway.

CHAIR—Thank you very much. I have to caution you that, although the evidence you give is not under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as the House itself. Any false or misleading evidence can be taken as a contempt of the parliament. We have received your submission, but do you have any amendments or additional material you wish to make available?

Mr Gibson—Yes, Mr Chairman and members of the committee.

CHAIR—Do you have any physical amendments?

Mr Gibson—Yes, I was just going to get to that.

CHAIR—And then I will ask you for an overview.

Mr Gibson—Yesterday we faxed in a specific submission—

CHAIR—Yes, we authorised that this morning before you arrived.

Mr Gibson—Of 24 February; all right.

CHAIR—So you can refer to that now in your broader submission.

Mr Gibson—Thank you. So the submission now relates to the original two-page memorandum of 25 November which is now expanded by the material of 24 February 1998.

CHAIR—Right. Would you like to give us a three-minute overview of your submission and then we will flush the rest of the issues out by way of questions, if we might.

Mr Gibson—Thank you, Mr Chairman and members. This submission is based upon a perspective of a passenger train operator. Just briefly, West Coast came into being four years ago at the time of tender bids in the Victorian country passenger railway network.

We won a tender to operate the services, originally from the PTC, but subsequently it ended up as a contract from the government of Victoria. Operations commenced in 1993, and West Coast now is an owner operator, fully-fledged railway passenger train business. From that perspective I want to say the following. West Coast's experience indicates that rail access issues are very difficult and that rail safety accreditation is very difficult. These two issues became quite pronounced in our entry into the industry and have taken a considerable amount of time and detailed working to be able to achieve both proper access and accreditation. It is our point that those two issues are inhibitors to private sector investment in the industry. I am not suggesting for one second that you do not have proper access arrangements and proper rail safety accreditation arrangements, but I do think that they need to be made very clear and a policy needs to be put in position so that those issues by any potential new operators can be easily understood and taken into account.

Track access is a key issue and is being treated as a return on capital by the states. It is a user-pays regime now in place, which is of some interest. It is not a service industry to the rail transport industry both federally and in the states—and, remember, I am saying this from a state perspective. Track access is, of course, fundamental to there being a rail industry and, better still, a transport industry. We are saying that what is needed is a clear Australian policy and state policies for the role of rail in either freight and passenger operations so that everybody comes from a common benchmark so that, if they are interested in using the systems, they are able to do so.

Given that there is a rail access regime both federally and state wide in place, it is a developing access regime. It seems to us that the current laws in place, which were enacted under the competition laws and the Trade Practices Act, really emphasise dispute resolution between rail owners and operators rather than providing a policy for identifying the role that rail provides for transport in Australia. So you have an access dispute process which is focused not on whether we should have a train system or a road system and what are the competition parameters between those two industries, but rather focused on 'I've got a railway line; how much is it going to cost you to get onto it', which seems to be a very narrow and misconceived approach.

We would like to summarise and finish by saying that we think that a clear transport policy on track access is required and supported by open procedures to gain access. I think it needs to be wider. In Australia, we need to understand what role rail transport is to play in the overall transport industry, and that needs to be formally sorted out between the Commonwealth and the state governments. We do believe that there is a need to have access costs that will reflect competition, not only between two rail operators over a particular line but also the competitors outside that industry, which is the road industry, which is what most of the rail industry is competing against.

CHAIR—Thank you, Mr Gibson. Do you receive a community service obligation?

Mr Gibson—Yes. All transport operators in Victoria, if they have a contract with the government, receive a CSO. That includes V-Line.

CHAIR—There was no inference in that.

Mr Gibson—I did not take it as that. I was just putting it on the record. The way it often gets written is that we are the only people who ever get that.

CHAIR—How often is that reviewed, or is there a formula?

Mr Gibson—There is a formula. It is basically a state policy formula.

CHAIR—You make a reference in your submission to the failure of infrastructure in signalling and the delays that that sometimes costs you. You point out that where you are deficient in any way you are penalised, but I assume you mean that the track authority is not in any way penalised when it lets you down. Are you suggesting there that your trains get less consideration? You would be under the same control systems as the rest of the metropolitan network, would you not?

Mr Gibson—The metropolitan country network, yes. It is a bigger question than that. When we joined the industry the tracks were owned by a competing operator. I think the words were that we were an interloper. The fact that we were paying for the line did not seem to register then that there was a commercial obligation at all.

CHAIR—And that came through even in the middle management, staff and so on?

Mr Gibson—That was their highest management. That was, at that stage, the Public Transport Corporation's highest management. That now has changed since Victoria has created Victrack as a separate authority. Might I say that the whole environment has changed politically as well as functionally for the better. So it is from that perspective that we say, let us have more of it.

CHAIR—Your trains get the same courtesies and slotting, do they, on the suburban and country network?

Mr Gibson—They have a slotting built into the master train plan. Providing the trains present at particular points on time, the answer is yes.

CHAIR—They get equal treatment?

Mr Gibson—Yes. But, there are always the complaints that all country operators face that the metropolitan operator, through its staff, technical machinery and computer systems, puts the metropolitan trains ahead of a country passenger train.

CHAIR—How many stations do you service?

Mr Gibson—Where the trains actually stop at?

CHAIR—Yes.

Mr Gibson—There are seven if you count Spencer Street. It depends on train by train. Basically the

trains start at Spencer Street, express to Geelong and then all stations to Warrnambool—which is five—but there are some trains that do stop in the metro area and between Werribee and Geelong.

CHAIR—You have pick-up rights?

Mr Gibson—Yes.

Mr McARTHUR—I declare an interest that West Coast Railway are know to me personally apart from the fact that they do run through the electorate of Corangamite, Chairman. Could I just raise five issues, Mr Gibson. The accreditation of your rolling stock and the maintenance of that rolling stock to maintain that accreditation you might comment on to the committee. The early operation of your company in terms of the track access which is now current thinking, but with the rental and the arrangements that your company entered into with the transport corporation here in Victoria, I think would be of interest to the committee.

The next matter is the cost of infrastructure. From your point of view, who should really pay for that cost of the infrastructure? There has been a considerable debate here this morning as to what the rental figure should be and who actually pays? Also, could you enlighten the committee as to the passenger payments—the arrangements that your company has in place compared with the former operation? What, in your view, are the benefits of privatisation as you see it as one of the first operators to take over a government owned line, having operated that for four years?

Mr Gibson—Thank you, Mr McArthur. I will get you to repeat the questions with time to answer them. The first one was relating to accreditation and the rolling stock issue, is that correct?

Mr McARTHUR—That is right.

Mr Gibson—It is a complicated issue. When we originally tendered, the tender agreement included the sale of the rolling stock to run the trains from the government to us. When we wanted that to be performed, the government introduced a rail safety accreditation regime that delayed our access under our own right. Now, that became a real problem because it had commercial implications. We had to end up hiring rolling stock for a period of about 18 months at what we would say are uneconomic prices. It was very strong control over what we did. It made it very difficult for us to properly gain access to the rail network. When the rail safety accreditation program was installed, we vigorously pursued our accreditation and were able to gain that as probably one of the first with an interim accreditation to get ownership of our rolling stock. The detail of it is—

Mr McARTHUR—What advice would you be giving to some of the operators that we have heard here this morning as to how they might run rolling stock on other track, be it New South Wales, National Rail or whatever it might be? What advice would you be giving them in terms of this accreditation, in view of your experience?

Mr Gibson—My experience says that you will have to have rail safety accreditation in place before you start, which means that you will need to have a fully documented system of management of railway operations. Other than that, you will have to go to an existing operator and do a contract for him to haul your

trains.

Mr McARTHUR—Thank you. The second one.

Mr Gibson—Access costs, who pays; was that—

Mr McARTHUR—Track rental.

Mr Gibson—In Victoria, our arrangement is that we pay a specific amount, which is per train, and it is the highest single cost we have in operating the train service. It is payable, for what it is worth, every month. The access costs are based on a formula which is different to everybody else's formula, and I think that is one of the major issues we want to highlight out of rail access, that is, getting a common formula for the costing of rail access—and that is Australia wide. What gets applied in one area, such as to us in Victoria, may be quite different from what the Commonwealth access regime may charge people to run their trains on the Commonwealth line.

Mr McARTHUR—Again, from your experience, what would you be telling the committee about what is an equitable access regime, since that is now the common terminology?

Mr Gibson—Access has got to identify who you are competing with. Access to the railway ought to be on par with the road. It should be a service industry rather than making a return on capital, which is, I think, probably what is happening. The various rail track authorities seem to be hell bent on making money from the operators—

Mr McARTHUR—Let us get to the next question. Who is paying for the infrastructure? What is your view on who ought to be responsible for that capital?

Mr Gibson—The track owner has got to be responsible for the capital for paying for the infrastructure.

CHAIR—In your covering letter on that point Mr McArthur is making, you said, 'Lack of infrastructure investment stifles rail based opportunities.' Do you mean in the broad or with particularity to you?

Mr Gibson—Both.

CHAIR—Could you explain to Mr McArthur how that is stifling you?

Mr Gibson—Because of lack of opportunity to increase train speeds or lack of opportunity to increase train frequencies easily. I think a good example would be this. Our competition is not only with V-Line passengers, say, between Melbourne and Geelong, but also with the road. Currently, it is nearly an hour to get to Geelong by train. Our trains do it in 54 minutes.

The worst part of the journey is between Spencer Street and Newport, which should be about seven to

eight minutes if the trains were able to run freely down that corridor with proper signalling systems and infrastructure in place, instead of being limited to 60 kilometres an hour and sitting behind a spark. They now take anywhere between 12 and 19 minutes. Then, where there is free running and there are proper signalling systems beyond Newport, the trains do very well speed-wise.

That is the sort of investment that we would require as a passenger operator if we expand. Obviously, state wide, you would be looking at fixing up those sorts of components of the system so you would get better utilisation out of what you have got, build a business, and then you would try and move forward from there.

CHAIR—When you get beyond Geelong going to Warrnambool, do you have sufficient loops and so forth?

Mr Gibson—Yes, we do. We had to fight to keep them.

Mr McARTHUR—The passenger payments under a privatised regime?

Mr Gibson—The passenger payments go into what we would say is a very good system utilising the existing government fare system where we collect the fares through our stations using the normal railway ticketing equipment, and the money goes from our operation to the Public Transport Corporation. We have a contract with the government, and the government pays us on a user pays basis—in other words, what we call a fare box system. We only get paid if we carry a passenger. If we carry no passengers we are in big trouble.

Mr McARTHUR—Are you saying this is a fair and equitable arrangement?

Mr Gibson—It has its problems. If you were running a system that the government wanted, then I would think it was not fair. You need a minimum contribution from governments if they want to run trains such as commuter services, say, between Melbourne and Geelong or Melbourne and Sunbury. On the long distance ones, there is a different business regime. Consequently, the operators probably can take part of the risk, as we do on the longer distance trains. We are able to market not only to the commuter but are also expanding our business into tourism and day tours. That helps reduce the subsidies.

Mr McARTHUR—The final question was on the benefits of privatisation from your perspective. Could you just give us a very simple overview?

Mr Gibson—I think that can be summarised quickly. There is more adaptive management costing a lot less because you are starting with a fresh opening business. Even if you are expanding, you would still be identifying the cost and the people that you need rather than what was already there. Secondly, in our case, there is the maintenance regime. We have managed to have a very efficient maintenance costing regime that we believe is quite critical to the survival of the rail service. I suppose one further thing in the passenger industry—and it probably would apply to the freight industry—would be that, instead of looking towards cutting back services to save money, we are looking forward to expanding services to put more people on trains to create greater revenue.

Mr McARTHUR—Do you have a couple of examples of that?

Mr Gibson—In our case, day tours, group tours and leasing out trains to other people have been very successful.

Mr McDOUGALL—I have a question on those fares. I know that in Queensland buses get a fare box subsidy from the government. Do you get any fare box subsidies at all?

Mr Gibson—Only what was referred to before as the CSO. There are 17 different ticket types in Victoria which the railway, including us, uses. For government sponsored subsidised tickets we get a full fare. If that is a subsidy, that is it. V-Line does so and so does everybody else. In other words, governments offer half fares to pensioners. When they come to a ticket office, they will provide a ticket card, half fare will be asked and they will be given a ticket to ride. We have those details in a rather magical system, caught up in a tally process, and the fares are all averaged. The 17 different types are averaged and then we get paid a particular fare for every person we carry. Does that make sense to you?

Mr McDOUGALL—The way you do it. What is the subsidy as a percentage of your revenue?

Mr Gibson—I would suspect it would be about a third. It may be slightly higher.

Mr McDOUGALL—So it is fairly significant.

Mr Gibson—Yes, it is very significant in terms of making it a successful operating system, because five per cent of the sales of tickets go to about 14 ticket types, which we simply lump to one side. They are all sorts of concession fares like half fares, periodicals, parliamentary passes and those sorts of things, and we carry about five per cent—

CHAIR—Mr McArthur is a constant user.

Mr Gibson—Mr McArthur is a constant user. The other fares that are significant are the full adult single and return fares and then what we call concession return and single fares. If you take the five per cent out, it is 95 per cent. They are about 49 per cent or 51 per cent of the 95 per cent—49 per cent is the concession fares and 51 per cent is the full paying fares.

CHAIR—Rather than getting bogged down on this, could you give us a piece of paper on that?

Mr Gibson—Yes, if you like.

CHAIR—Yes. I see Mr Willis over there is green with envy about that rail pass.

Mr WILLIS—I just wanted to ask you a bit more about access. You said before that you were charged differently from everybody else for access. I was not sure what you meant by everybody else; is that different from V-Line?

Mr Gibson—I cannot authoritatively answer that, other than to say—

Mr WILLIS—But it was your statement about being charged differently from everybody else.

Mr Gibson—Yes, I have to expand on that because it gets back into the detail. In the tender process a formula was applied to rail access, which we accepted, and when we actually got to the stage of signing the tender agreement those things had changed and in the process of those changes we had obviously got advices and got some more experience about rail access charges in competitive areas—in, say, New South Wales and Queensland—and they were all different. Everybody had a different view. That is what I meant by that.

In the end we struck upon one and that was that. That is where we are now. When our contract runs out, if it is not extended, in 2001, who knows what the rail access charge will be?

Mr WILLIS—Do you know how your access charge compares with that of V-Line?

Mr Gibson—I do not because they are one organisation with various divisions within it and I think they have different costings for their different types of work. In other words, freight trains have one form of costing and their passenger trains have another. I think we would have yet another and Hoys, which hire a train service and run it between Melbourne and Shepparton, probably have another.

Mr WILLIS—Okay. For passenger services do you think there should be the one set of posted, transparent access prices?

Mr Gibson—I think it has got to be deeper than that. I partly agree with what you say.

Mr WILLIS—What does deeper mean?

Mr Gibson—I think you have to have a philosophy of what you are trying to achieve from your access regime charges. At the moment it is cost recovery and, if that is going to continue, then the answer is yes, I agree with what you are saying. But if it is not going to be cost recovery—in other words it is going to be a service industry which is going to encourage not only competition on the rail but proper competition with the road—then the methodology of how you arrive at an access cost would be different and it may be different from type of business to type of business. It is very complicated.

Mr WILLIS—You are more concerned with lower access prices than with more transparent access prices?

Mr Gibson—Yes. If you have got people running an historic train once every month and the tracks are there and in good condition and there is an operator with a good business running every day, four or five times a day, the access pricing for the historic train cannot possibly be similar to that for the regular trains. The regular trains are keeping it all in place and the tracks' level surface in good condition and all that sort of stuff. You would not expect a periodic user to be paying the same amount as a continuous user. But, on the other hand, a continuous user should not be paying more for his track access and his TAC costs than the bus operator on the road is.

Mr WILLIS—Okay. I would like to continue that but I think I had better move on to a couple of other quick points. Are you charging the same fares as V-Line?

Mr Gibson—Exactly.

Mr WILLIS—Are you required to charge the same fares?

Mr Gibson—Under contract we charge the same fares as V-Line for across counter sales. We have a capacity to sell what we call operator tickets which we can put our own special conditions on and then special tickets—and there is a different marketplace.

CHAIR—What percentage of your business is the tourist—the day trip thing—in round figures?

Mr Gibson—It is not yet at 20 per cent but I am hoping we will be getting that sort of return in 12 months.

Mr WILLIS—If charges are basically the same, and you are running in competition against V-Line, where is the competition? I mean you are just providing more trains that otherwise would have been provided by V-Line, are you not?

Mr Gibson—We are not in competition with V-Line. We are running train services.

Mr WILLIS—You are running the same route.

Mr Gibson—No. What I said was we are in competition with the road. For V-Line and ourselves, there is an existing marketplace between Melbourne and Geelong and between us we will try to do the best we can in that marketplace. We work fairly well together, but our competition is on the road.

CHAIR—On Mr Willis's point there, you say in your submission that you run six trains a day and the PTC runs 44. Have I got that right?

Mr Gibson—Yes.

Mr WILLIS—That is what it says.

CHAIR—I would like you to expand on that. I mean, how do you make a quid in that sort of environment?

Mr Gibson—I think there are two answers on that. One, we do not try to on the Melbourne-Geelong sector as such. We try to fill empty seats on that sector.

CHAIR—That is the cream on the cake, is it?

Mr Gibson—Yes, if there are empty seats.

CHAIR—Your core business is from Geelong onwards?

Mr Gibson—Onwards, that is right.

Mr WILLIS—Is that because V-Line does not run on that leg?

Mr Gibson—That is right, V-Line do not run beyond Geelong. Our core business is beyond there; that is what we aim to try to sell; that is where we aim to try to fill the trains because we get more money. There is no more to it than that. The average cost of a seat for us to move it from Melbourne to Warrnambool is not recovered by putting somebody on from Melbourne to Geelong. But once we get past Geelong, the average fare we get off each passenger covers the cost of the seat. Once that train is out of Geelong on the downside with a load of passengers on it, we are making money more than it is costing us to put the seat there.

Mr WILLIS—Once there is no competition you can make some money. I understand that.

Mr Gibson—No, that is not right. Our competition is the road.

Mr WILLIS—No rail competition?

Mr Gibson—No.

Mr WILLIS—On the CSA, you said it is done on a formula. Is it the same formula for V-Line as far as you are aware?

Mr Gibson—Yes.

Mr WILLIS—You are paying money to the Victorian government for the rail access or to the Rail Access Corporation for Victrack?

Mr Gibson—Yes.

Mr WILLIS—The government is paying you a CSO. What is the net outcome of all of that? Are you paying them or are they paying you?

Mr Gibson—I reckon on balance they would be paying us.

Mr WILLIS—So the CSO is bigger than the access charge?

Mr Gibson—Yes, based on our creativity to get passengers on the trains which they agree that we should put on.

Mr WILLIS—So one could argue that you do not have any access charge?

CHAIR—But a very small CSO.

Mr Gibson—You have to say that that is right. If you could get that formula right, then we would not disagree with that. That is quite so.

Mr WILLIS—Thank you.

Mr WAKELIN—What percentage of your costs is the access charge? Are you able to—

Mr Gibson—Yes, I am trying to think of the answer. It would be about 25 per cent.

Mr WAKELIN—Thank you. Lack of open access to purchase redundant government owned equipment: have you had a problem there?

Mr Gibson—Yes. The government never liked selling equipment to what they saw as competitors so that they would try and make it difficult for you to get it.

Mr WAKELIN—How difficult was it?

Mr Gibson—Initially in our case very difficult.

Mr WAKELIN—Impossible?

CHAIR—Didn't they have to provide you with the initial rolling stock?

Mr Gibson—The government agreed to sell us the operating railway and identified rolling stock. The PTC did everything it could to ensure that we did not get it, if that makes sense.

Mr WAKELIN—The government was something and the PTC was another—

Mr Gibson—The government is the ministry and the department and the PTC is an independent authority which is in charge of its own affairs. Quite rightly at law, it is entitled to protect itself.

CHAIR—Do you use your own colour coding and all that sort of thing?

Mr Gibson—Yes, our trains are very distinct from the V-Line trains.

CHAIR—Do you do your own maintenance?

Mr Gibson—Yes.

Mr WAKELIN—Can I just stay with the access, how many weeks of delays and what are some of the tactics they used to delay?

Mr Gibson—It depends who is taking up the issue at the time. Initially the delays came from drivers using our locomotives. Not all drivers, by the way, and this is how we were able to detect what was going on. The trains have speed charts in them from which you can determine the speeds of the trains and what they should be at particular places. Some drivers were just going slow which made the timetable a problem. That is a very critical issue for us in contracts with government. Other drivers drove them all right. By comparison you could see that, given constant loads and constant engines, things were not comparative from driver to driver. But that died after a period of time.

Mr WAKELIN—What is the comparative time from Spencer Street to Warrnambool in terms of the train and the road?

Mr Gibson—The trains run at between three hours 10 minutes and three hours 15 minutes. An average car would take about 3½ to hours. The car is allowed to go at 100 kilometres an hour and the train, predominantly, runs at 115 kilometres an hour. It makes quite a difference in time.

CHAIR—Thank you. Your presentation was very stimulating. It is the first submission we have had on a passenger service like that. I think it helped fill a lot of gaps in our knowledge of the industry. I trust if there are any other questions we have you would be prepared to provide some answers in writing.

Mr Gibson—Of course.

CHAIR—As is the custom, you will receive a proof copy of today's proceedings for your perusal. Thank you.

[11.21 a.m.]

VAN ONSELEN, Mr Marinus, General Manager, Boxcar Pty Ltd, 651 Doncaster Road, Doncaster, Victoria 3108

CHAIR—Welcome. As you are probably aware, you are not being required to give this evidence under oath today. The committee hearings are legal proceedings of the parliament and warrant the same attention as those of the House, and any false or misleading evidence is taken as a contempt of the parliament. The committee has received your submission. Are there any corrections or additions to it?

Mr Van Onselen—No, there are none.

CHAIR—Could you give us a three-minute overview of the position of Boxcar and we will take the rest by way of question.

Mr Van Onselen—Thank you for inviting me to appear here today. I will confine my comments to interstate freight because that is fundamentally the business in which Boxcar is involved. Boxcar is a major user of the Australian railway interstate freight business or system. It is part of a far larger concern called PGA Logistics, which is probably best known for the trucks you see running up the highway under the Cubico banner. In addition to that we have the other activities of Tasway, which is sea freight, Tekstor, which is smart warehousing and Bulkway, which is metropolitan distribution.

We are, I think, one of the emerging new entities in logistics management. We have seen companies such as TNT, Brambles and Mayne Nickless disappear out of the Australian transport scene. It is the new organisations such as PGA Logistics that are basically filling that void. It is certainly an innovative company. We are responsible for the introduction of 48-foot containers to this country. The initiative was taken forward by Boxcar and it was backed up with capital. It acquired over 300 of these units. It bought the necessary railway rolling stock to operate these units, the necessary road plant to deliver them and PGA went to all the road authorities in each state in order to have these accepted for haulage on the roads and also on the rail system.

PGA would like to spend more money on rail but, quite frankly, I think rail has come to an impasse and it is unlikely at this point that our company would spend considerable new capital on rail given the confusion that exists in the industry. I do not believe we are unique in our viewpoint and I see very little new capital being spent by the private sector in investment in interstate rail. Governments, I guess by their historical lack of action on rail and their ongoing confusion about rail in terms of its long-term role, its viability or its perceived non-viability, are certainly not assisting the issue. But fundamental is the issue of money and who pays for track maintenance and upgrading.

I give as an example the most dense interstate freight corridor in this country, between Melbourne and Sydney, where the line haul distance is in excess of 1,000 kilometres—and we are talking about 200 or 300 kilometres being a long distance in places like England. We have the density of population, we have the density of freight, yet we have built a four-lane dual carriageway highway which is equivalent to six railway

tracks—because you can also park a truck on the side of the road—and we have running alongside it a railway line built in the 1960s on an alignment 100 years old that is falling apart. I speak as the ex-managing director of V-Line: there are reports regarding the condition of that line which would shock you if you read them, because it is literally not going to last more than a handful of years. That is how bad it is. Quite simply, it is impossible for rail to compete against road in that situation.

My solution is reasonably simple: a bipartisan approach, a national land transport policy approach, and what is fundamentally required is the vehicle and the process to allow that to occur. As far as the vehicle is concerned, rather than having yet another government bureaucracy set up working independent of everything else, you have an organisation called the National Road Transport Commission. They are good people; they know what they are about. Turn them into the National Land Transport Commission and let them have a look at the whole issue of funding and whether available money should go to road or rail.

I am not arguing for rail purely on rail's sake. I am simply saying that at the moment we seem to be happy to spend hundreds of millions of dollars to build a bypass around a dying country town so that trucks do not run through the centre of the town when, at the same time, another way would be to spend some money on rail. The \$250 million that has been allocated to interstate rail is a pittance. It buys a few locomotives; it does not do anything for the tracks on which they have to run and which are falling apart.

I guess, fundamentally, I see three groups of people involved: a national land transport commission, as potentially an organisation; the federal department of transport, which has from my perspective been remarkably uninterested in interstate rail; and, of course, the relevant minister. It is up to the Commonwealth first and foremost, and I think only, because interstate rail transcends parochial state boundaries. The Commonwealth must therefore show the lead for that purpose and, finally, the Commonwealth collects the money through taxes and it can write the cheque. I think, in essence, that is what I have said in those three pages. Thank you.

CHAIR—That is a very provocative statement and not inappropriate, I suppose. Could you tell us what percentage of your business at present is handled by rail and by road? We saw a lot of your boxes yesterday at Dynon.

Mr Van Onselen—In terms of the total business—it is a question of how you measure it—if you are talking about cubic metres moved, probably about one-third. We use rail almost exclusively between Melbourne and Sydney and Perth, where rail still has a competitive advantage. We do not use rail at all between Melbourne and Sydney, Sydney and Brisbane or Melbourne and Adelaide. The other area where we use rail is from Melbourne to Brisbane, because it is a long line haul, and we were using rail from Adelaide to Sydney and vice versa. Those two corridors are now in question because our calculations are determining that it is simply becoming cheaper to run trucks rather than trains.

CHAIR—Do you use the existing train system; do you use National Rail?

Mr Van Onselen—We use National Rail up and down the east coast because they are the only people providing a service, and of course they are a government organisation so therefore they can afford to run at a loss.

CHAIR—Your criticism of the rail, and I suppose one of the most disturbing aspects that we have received in evidence everywhere, is that, with a few exceptions—perhaps the Brisbane-Rockhampton section—just about every railway line in Australia is in a state of deterioration or, at best, in a holding pattern. We have received evidence that it would take \$3 billion to \$5 billion to bring the system up to some sort of standard. The point I have made is that governments of both political persuasions, state and federal, have tended to back away from that. What do you think of the idea of an incremental approach to look at, say, the 20 or 30 worst hot spots between Brisbane and Perth and to make an all-out effort to fix those as a first move?

Mr Van Onselen—I think any money is welcome. I would agree with your comment about Brisbane to Rockhampton. When you have several billion dollars worth of coal revenue, as QR does, you can do wonders with your railway network. I do not envisage that any money needs to be spent on the intrastate systems. That is up to the states to deal with. The interstate main line system has a number of hot spots. Quite frankly, the line between Albury and Melbourne, which I know well, is falling apart and needs to be fixed now.

Similarly, there are major difficulties, notwithstanding the One Nation funding, between Melbourne and Adelaide because the money ran out. We have sections of track that are falling apart. The freight passage through Sydney is a major problem, and the north coast line between Sydney and Brisbane is also a major problem.

If you talk billions of dollars, you do scare people away but we should stop kidding ourselves that \$250 million over four years is going to do anything. Divided by four, it buys you about 20 locos each year. Therefore there is a fundamental issue with regard to who funds what, how and where.

I guess the proposal I am putting forward is: we are not looking for another handout. One Nation only ever came once and was a job creation scheme. It was a good excuse to get some money for the railways and it was terrific. The reality is that we do not appear to have a vehicle at which there are equivalent decisions made by competent people relating to what gets spent on roads and what gets spent on rail. It is subject entirely to a lobby process. The road industry is good at it. They are well funded, well versed and lobby extremely well. Unfortunately, as Australians, I do not think we get the best bang for the buck as a result. By having people like the NRTC, whom I consider very competent, take over a wider role and therefore make a more responsible judgment as to where the priority monies should be spent, we might forget about yet another bypass around a dying country town and get rid of some of these rail hot spots. I do not have a figure insofar as how much money should be spent. It is a case of how long is a piece of string, I guess. Certainly segments of the network are now becoming simply dangerous to operate on.

CHAIR—Do you believe in the philosophy that the standard gauge line from Brisbane to Perth should be taken over by the Commonwealth as a national rail highway, albeit with state approval?

Mr Van Onselen—Yes, I do. Having a multitude of different bodies responsible, all of them arguing with each other about fundamental things such as who gets to operate and how are we going to split the pie, is basically unhelpful. I personally spent 18 months looking at putting together our own company trains. I have been to every access authority in this country and I am sure you have had evidence from other people

that would state just how difficult that was. It is impossible to get a bunch of bureaucrats who have just been put in situ, and whose primary concern is staying there even longer, to actually make some decisions that are common in purpose. Add to that that they have—

Mr McARTHUR—Which bunch are you talking about?

Mr Van Onselen—The one in Victoria you are going to get rid of, which is good, and the one in New South Wales until there is a change of government. By that time we will have the other states probably change also. It is not going to happen there, is it?

Mr PETER MORRIS—Is this the gamekeeper turned poacher? Is that what we are listening to? You are managing director.

Mr Van Onselen—No, what I am suggesting is not a political statement on my part. I am simply saying that, unfortunately, we seem to continuously have a situation where there is one government of one persuasion standing out against governments of another.

I can turn the question around. Gough Whitlam made a very generous offer to buy all the railways. The only ones that sold were the sensible people in South Australia and Tasmania. All the others wanted to hang onto these loss making organisations. I am not attempting to score political points. I am simply stating that the process we seem to have is hardly bipartisan and that makes it extremely difficult.

Mr PETER MORRIS—You are a former director of V-Line Freight. I am just astounded listening to your comments. What the hell were you doing while you were there?

Mr Van Onselen—Downsizing the organisation from 3,500 employees to 1,000, which was a clean-up job made necessary by 50 years of inaction, and reducing the direct funding requirement of that organisation from \$120 million per annum to \$17.6 million per annum.

Mr PETER MORRIS—But not improving your track, your maintenance or your locos or using the locos of AN or anybody else you could scrounge them from or the rolling stock of any other organisation you could get your hands on?

Mr Van Onselen—The primary concern for the people I was working for, which was the government of Victoria, was to reduce the cost of the organisation. I would have been delighted to have spent more money on fixing track. It was not available.

Mr McDOUGALL—On the Land Transport Commission, I am very interested in your concept, coupled with your statement that you think we should take the Brisbane to Perth rail line out of state hands and make it a federal issue. Have you put any thought into how you would structure that commission, who would make up the commission and what sort of legislative—and I can ask you that with your background in government—structure would be needed for that?

Mr Van Onselen—I think probably an alteration to the current legislation or the current book of rules

by which the NRTC operates. It is a body that is in situ; it exists today. With widening of their brief, they can take on board the additional people necessary and with widening of their funding they can perform this task.

What I am really trying to say is that there needs to be one organisation that has a macro view of both road and rail. So long as it is done independently, I think road will end up better off, because it is basically better organised. Rail is trying to get its act together; it finally has a lobby group, the Australian Railway Association, but it has got a long way to go. Also, the majority of rail bodies at this point remain government owned. Bureaucrats who speak up lose their job. Therefore, their ability to lobby is limited.

Mr McDOUGALL—So you would see this combined land transport organisation as a government business enterprise run with an independent board, not part of the transport department?

Mr Van Onselen—They are fundamentally an advisory organisation that is charged with coming up with the necessary policies and understanding the road blocks that are in situ.

Mr McDOUGALL—My other question—you are obviously looking ahead; to me, you show some vision—is: what do you think of the Melbourne to Darwin concept of private enterprise?

Mr Van Onselen—I would love to see us build Melbourne-Brisbane first, and perhaps then Darwin if it is commercially viable. I presume we are talking about the inland line via Mount Isa, et cetera. Certainly, a line using much of the existing network that is there to allow us to operate trains between Melbourne and Brisbane has a lot going for it, particularly as it overcomes the problems of the east coastline between Sydney and Brisbane.

The viability of that line beyond Brisbane I question at this point in time. It appears to me that every port in Australia sees itself as the majority entry and exit port in this country, no matter which one you are discussing. The reality is that with major ports such as Melbourne—by virtue of the population density around the port of Melbourne and food basket Victoria—those sorts of things will continue to attract ships direct. So I question building a railway line to Darwin, whether it is via Alice Springs or via Brisbane, if its sole purpose is to attempt to pinch business from the ports that already exist and the capital that has already been spent.

Mr McDOUGALL—So you would see as viable its going Melbourne to Brisbane via the inland route down from Toowoomba to Brisbane? But, if you did that, would you need a spur into Sydney to make the freight capacity viable?

Mr Van Onselen—Those spur lines already basically exist. In many respects, much of the track is already there. Some of it is not used, but it is certainly possible to operate with a relatively small amount of capital. I would like to make the point though that, before we get too excited about building new rail lines and new rail projects, it would be awfully nice if we could perhaps fix up the ones we have already got.

Mr PETER MORRIS—Hear, hear!

Mr Van Onselen—I have won you back, Mr Morris. Thank you. I am pleased.

Mr PETER MORRIS—With the BTCE system 1975, they have been saying what you are saying about Melbourne-Sydney.

Mr McDUGALL—I take your point, but is it viable to fix up Sydney to Brisbane which, let us be honest, is in the wrong place geographically—how can you fix it?

Mr Van Onselen—I guess it is an issue. Insofar as there are some alignments and easements, and some crossing loops, that could be put into place, there are a number of relatively low cost options that would at least fix up what is there and make it more usable. Yes, if we want to do it properly, let us build a new line. But the difficulty with that is finding the one or two billion dollars necessary.

Mr McDUGALL—That is up to private enterprise.

Mr Van Onselen—Whether it is Darwin-Alice Springs or all of these, and I have seen submissions and all of that stuff, my difficulty is that we are trying to run trains right now on tracks that are falling apart. I really would like to see those tracks fixed so that we can continue to operate trains on them until these grand new projects take hold, because if that is not done there will not be any railway lines—and trying to get freight back from road and sea later on will be extremely difficult.

CHAIR—I just make the point, for the sake of balance, that both those lines Mr McDougall referred to are going to be privately funded. One will be totally privately funded and the other substantially privately funded. The very reason they are doing it that way is to get away from the mishmash of bureaucracy that you have been talking about. So I do not know that it is a fair and straight comparison. If it was the government's \$9 billion that was proposed to take a line from Melbourne to Darwin, I think that would be valid, but just to say that the federal government should spend the same amount as someone else does not necessarily follow, does it?

Mr Van Onselen—No, and the words are privately funded. I would add one thing to that which is—

CHAIR—Of course.

Mr Van Onselen—The Darwin-Alice Springs railway line has been a government priority since 1911. I have forgotten how many submissions I have read about it. I have read all the funding documents and I will not be spending my dollar unless the tax concessions are such that I cannot lose.

Mr PETER MORRIS—Could you just repeat that last bit? It is the most important bit of all.

CHAIR—You are being the provocative one. Do you believe that either or both of those lines stack up?

Mr Van Onselen—I have not seen documentation or freight projections or freight flows that indicate to me that there is the volume required to make them financially viable.

Mr McARTHUR—What about infrastructure bonds or tax concessions? Would you like to speak a bit about that?

Mr Van Onselen—In the end, the ability to attract money to any project, regardless of what it is, depends on more things than just the viability of the project.

Mr PETER MORRIS—That is not what you said. You have added something. Mr Chairman, he put a proviso in there. He said he is not prepared to invest his dollar unless he can be assured that he will not lose his dollar. Are they the words you used?

Mr Van Onselen—That is exactly it. With any project, whether it is a rail project, a road project or making a film, if it is made tax effective then people will do that. Take away those vehicles and people will stop doing it. The Australian film industry is a good case in point.

Mr McDOUGALL—Hear, hear!

Mr WAKELIN—It is not just a matter of capital. It is really a matter of a whole lot of things that you know a lot more about than I do—the culture, the state base, the work practices, the whole thing over a hell of a long period of time. It is not just a matter of capital. You know it far better than I that it has been a whole culture in rail that has let it down over 10 or 20 years. Would you comment about the history of rail and then, in that context, say whether it has made some progress?

Mr Van Onselen—I would put it this way. A fairly good comparison is the success of road and the lack of success of rail in this country. The Australian interstate road transport industry has been benchmarked as world's best practice and the railways have been benchmarked at various times as having a long way to go. If I look at the differences between them there are probably three fundamental differences. The first is that the road transport industry is owned and operated almost entirely by the private sector, that is, the above permanent way operation. The second is it is extremely competitive, which leads to efficiency. There are a multitude of truck operators out there who work very hard. Thirdly, it has been heavily funded by government in so far as the permanent way on which it operates has been of high quality.

In the Australian railway industry, what we have is government monopoly operation. That is now being broken down by virtue of sale of these entities. That monopoly makes it difficult and I do not blame management at all. Management has done a wonderful job in many instances in the environment in which they are attempting to operate. The first thing there is government ownership.

The second thing is a complete lack of competition. You used the vertically integrated state or federal railway and that was it. If you did not use them you were not able to operate.

Thirdly, there is a lack of funding availability. The funding that was made available to those organisations can be likened to a de facto Department of Social Security payment, because that is the method by which those organisations, until recently, were required to operate. As far as real funding for upgrading the capital assets of the business is concerned, particularly the track on which they operate, it just has not happened.

Mr WAKELIN—Private, competitive, capital. As to the access regime—north, south, east, west—your answer to my question would be that if you do not have the zero rating or the zero access cost they will not get used. How then do I explain to the people on the east-west line that they have to pay a significant amount of money?

Mr Van Onselen—I guess the issue is market forces, in my view. East-west, the current rate—which is about 0.3c per GTK—can probably be increased because from Melbourne to Perth the train has a competitive advantage over a truck. Also, AN managed to acquire a large amount of debt because it spent money on upgrading the track, so at least the AN sections of track are in reasonably good condition.

North-south you cannot charge anything if there is a requirement to transfer vehicles from the Hume Highway to the railway line, because the market will not bear it. Perhaps one way to determine it is to actually make it possible by virtue of a bid process to buy pathing, starting at zero up to a certain amount, and selling those paths according to time priority, slot availability, those sorts of issues. Suddenly, the people who want a premium super freighter path from Melbourne to Perth may well pay more than 0.3c per GTK. At the same time, very few people are currently operating trains between Melbourne and Sydney but some may decide to have a serious look at it if they can buy for 0.01c per GTK, for example, a path on that corridor.

Mr WAKELIN—Would you support a national training or accreditation scheme, perhaps under the auspices of the national government, for train drivers?

Mr Van Onselen—In many respects the rules of the route, as it were, vary enormously from state to state and the requirements to operate a train on a train order section with, very little traffic in country Victoria, for example, are enormously different from the requirements on the main line where you have got a saturated corridor. Certainly the current system whereby each state did its own thing differently from everybody else and is now not doing anything because these systems are being sold and nobody is concerned about where the next generation of train drivers is coming from needs to be changed. I think a national accreditation where there is an agreed way to get a drivers licence, if you like, is certainly worth while.

Mr WAKELIN—You do make the point, though, that between two different types of operation—

Mr Van Onselen—As long as it is understood by the people who do this training that you really do not have to teach somebody the rules of the route on a CTC-controlled Melbourne-Sydney section if all he is going to do is handle a grain train on a line that nobody else is on.

Mr WAKELIN—Thank you.

Mr ROSS CAMERON—You talk about the need for a more national approach. The proposal there is that the National Road Transport Commission ought to become a land transport commission as one step in that direction. Then you would want to at least ask the question: what is the better use of resources, whether for road or for rail, and that relates to the decision of capital expenditure.

In terms of management of the network, you have all of these parochial problems that you have been

discussing. Your response is, 'Well, the Commonwealth should just take a lead role.' It seems to me it is much better if you can have a voluntarily negotiated outcome rather than an imposed one.

Secondly, the people who actually control the management of the assets ought to have a big say in how the network is run, if you can do that without all of the negatives of monopolies and government control. I guess my question is this: is it possible to design a management solution that gives incentive to existing operators to go down the competition track? It seems to me the evidence we are hearing is that lots of the incentives for existing operators are to resist competition and preserve the monopoly as much as possible while paying lip-service to competition principles.

Mr Van Onselen—Bearing in mind that I am talking about interstate freight and the interstate freight network, I think that the best way to get people to volunteer and negotiate in a friendly fashion is to dangle a fairly large cheque. It is amazing how people will suddenly see commonality and purpose if there is something worth while at the end of it. Frankly, without that, each state will want to do its own thing as it always wants to do its own thing, and it is the fiscal stick, if you like, that the Commonwealth can use. That is where the lead must come from; I just cannot see any way around that.

The states will look for solutions up to their borders. When you are trying to run freight from Brisbane to Perth, it has to cross a number of borders, and that is why we are having these difficulties.

Mr ROSS CAMERON—Do you support the creation of a national track access body?

Mr Van Onselen—I will go on record. I am personally in favour of vertically integrated railways because accountability is very clear. Having said that, the interstate network may be the exception to the rule because there are so many users. Therefore, handing it over to one organisation who is both an operator and an access provider will lead to inevitable conflicts of interest and a lack of competition.

Again, as far as the interstate freight network is concerned, I think there should be a single national access body, and the way to negotiate and ensure it occurs is to use the ability to write a cheque. That will cause those states, who at this point in time find it difficult to come to heel, as it were, to perhaps change their attitude somewhat.

Mr WILLIS—Can I just suggest that the capacity of the Commonwealth to write a cheque is not unlimited, and it is amazing how difficult it gets when you have to be in charge of distributing those cheques. I am not sure that it is quite the easy solution that you suggest; nevertheless I get your point.

Can I just ask you a couple of things? Firstly, I will ask about the line to Albury. You said that you had seen reports that shock you. Well, we would all like to be shocked.

Mr Van Onselen—You would have to access my prior organisation for those reports.

Mr WILLIS—You cannot give us any sort of broad indication? We have heard quite a bit from—

Mr Van Onselen—We have situations where there are engineering reports that state that segments of

track are in extraordinarily poor condition whereby even the maintenance of current speed restrictions is questionable for the safety of the operation of certain trains. That was a great worry to me personally. When I was managing director of V-Line, I was responsible for 1,600 train services a week. Needless to say, when those reports hit your desk, you make darned sure that the speed restrictions are enforced and that the trains run as slow as is necessary so that they do not come off the track.

Can I make a comment on your earlier comment? I am not suggesting a large cheque; I am suggesting a reapportionment of the pie. The pie is land transport infrastructure.

Mr WILLIS—I get that.

Mr Van Onselen—I am very frustrated when I see these fantastic bypass projects around dying country towns and I say, ‘Why isn’t there some money for rail?’

Mr WILLIS—I get that point. Do you think there is any future for rail in the shorter intercapital city routes like Melbourne-Adelaide, Melbourne-Sydney, Sydney-Brisbane? In other words, is it worth the Commonwealth or somebody spending an awful lot of money producing state-of-the-art track in areas where perhaps there is not even—with the best track in the world and the low access prices—the capacity to compete with road?

Mr Van Onselen—I would have to say that, as we have already built the Hume Highway, perhaps you might have to question that. That does not mean that we should necessarily extend the Hume Highway to be duplicated between Sydney and Brisbane, for example. There is a tremendous pressure there to do something about the Pacific Highway, and it seems to me we are going to make exactly the same mistake again.

Mr WILLIS—It is already happening.

Mr Van Onselen—Yes.

Mr WILLIS—Do you see any future for a privatised National Rail in running these shorter intercapital city routes, if they are loss making?

Mr Van Onselen—That rather depends on what the access price will be. National Rail claimed that they pay about 25 per cent of their total expenditure budget on access costs.

Mr WILLIS—At current access prices.

Mr Van Onselen—Yes, their current access costs are about 25 per cent of their total expenditure. Very clearly, if they were not paying that or were paying a smaller amount, the viability of that organisation would improve.

Mr WILLIS—It is a fairly serious point in the sense that National Rail is scheduled to be privatised. Are you really saying that, unless there was some significant change to the access pricing, it is fairly likely

that a privatised National Rail would cease to operate those routes, in your view?

Mr Van Onselen—I think the new private owner of National Rail—or owners, if it is to be sold in component parts, which I would certainly favour—would basically knock down the necessary doors in order to ensure that their concerns are met. Currently, government officers find that difficult to do.

Mr WILLIS—Thank you.

Mr McARTHUR—You were a bit critical about National Rail's losses. If governments had not set up National Rail to overcome some of the state attitudes and, secondly, with the advent of National Rail, the standard gauge was completed, what would have been the position today if that so-called loss making operation had not have been in place?

Mr Van Onselen—I think we have to look historically. I think National Rail has achieved some good things, but its success in the marketplace is certainly questionable. There is a very strong perception on the part of a large segment of its client base that it has not performed. It is best, I guess, mirrored by the fact that a lot of the traffic has walked to alternative services, whether they be road, sea or other railway operators. Notwithstanding that, I think the fact that National Rail had a large amount of money available to it, both in start-up working capital and through One Nation funding, is welcome because they have invested in a number of pieces of useful equipment—and they have also poorly invested in other equipment.

It should also be remembered that it was originally envisaged for National Rail to take over the track and a large amount of the funding was to be spent on track. When it was clear that National Rail was not going to take up the track, the money was spent on things other than track. I question whether that was the best use of capital.

Mr McARTHUR—I have a couple of other questions. You mentioned the sale of the rolling stock and that it has been sidelined and not available to private sector operators. Could you give us a further comment? Other witnesses have made a similar comment.

Mr Van Onselen—I did not actually mention that. It was mentioned by the previous speaker. It would be quite easy to have a lot of photographs, if you go to certain locations, of ex-National Rail wagons, that were ceded to it from the participating systems, stacked one on top of one another with the bogies removed. In some cases, brake gear was removed. It is unavailable to potential competitive operators and is rusting away. I would suggest that is a rather poor use of capital assets owned by the public of Australia.

Mr McARTHUR—You did mention your position on this access integration. You have got two bob each way a bit. You are now saying that you are in favour of vertical integration, but you are prepared to accept the current model of the Australian Track Authority as being the least worst option, I suppose, for Australian conditions. Is that what you are really saying to the committee?

Mr Van Onselen—Yes, I am saying let us not make the same mistake with regard to rail access corporations for intrastate freight, for example. I do not see the need. If, with Victoria's grain lines, for example, you have a situation where there are very clearly some dominant uses, those who have the grain

contract should have the opportunity to operate the track. I see very little point in interfacing a bureaucracy between the operator and the customer, which is fundamentally what would occur.

As far as interstate tracks are concerned, there is an issue there. We have a number of operators. Each state will have a different operator using that track, to traverse it to get to its intrastate tracks, for example. You have got passenger operators on those tracks and you will have in future, or you already have today, between Melbourne and Perth, three independent freight operators—SCT, TNT and NRC. In that case, I think the horse has already bolted. We therefore need to have, if possible—the word has been used—a one-stop shop, single access regime and administration body.

Mr McARTHUR—You talk about the funding options of road versus rail. How would you help members of the parliament redirect the priorities to rail capital infrastructure and rolling stock when most of the voters drive motor cars and they persuade members of parliament to upgrade the Hume Highway, put in ring-roads and put in city links, because they are visible, tangible vote winning options, whereas railways are seen as things that people do not actually use and the freight is inefficient, et cetera? How would you convince the voting people to put more money into this operation?

Mr Van Onselen—Once again, my comments relate to interstate freight. I do not suggest that the Commonwealth or the government provides capital for, in fact, rolling stock—that is, equivalent to motor cars. That is the role of the private sector. They should invest in wagons, locomotives, et cetera. What I suggest is that the Commonwealth makes decisions relating to where it funds more roads or bypasses or improves the railway permanent way.

In so far as the argument that it is always the private sector motor vehicle that drives this, it is just not true. The majority of country towns do not have a problem with private motor cars driving through the centre of them. It is the big trucks they do not like through their main street, and that is why these bypasses are built. If you stood on the side of the Hume Highway at night-time, you would be amazed at the number of trucks that go past. In fact, it is a brave motorist who takes his life in his hands and actually drives at night-time on that highway. Therefore, I think, in many respects, we have been conned by this argument and we have continued to build these interstate superhighways for a very small segment of the community.

I am not against trucks. My company operates a very large trucking business called Cubico. We simply make a very clear business decision with regard to issues of cost and control. When we put our freight on a truck, we have one person accountable—the truck driver—from the customer's door to the customer's door at both ends. When we give our freight to a rail body, a number of people are involved. So we already have an issue of control that we are concerned about. If we add to that a cost issue, where it is cheaper to operate the truck than the train, the train just does not have a chance.

Mr McARTHUR—Just help me as to how we persuade the Australian public, though, to invest more in railways.

Mr Van Onselen—I do not think we need to.

Mr McARTHUR—Just the infrastructure.

Mr Van Onselen—I think the Australian public is already persuaded. I am always amazed, when there is a tourist train, a passenger train or even a toy train, how many people flock to it. It seems to me that every kid had a train set, and they grew up liking trains. Generally, the man in the street says that trains are a good idea. I think the problem is not the Australian public. I think the problem is our own government advisers who have a clear bias because they have been listening to the wrong lobbyists.

Mr PETER MORRIS—That is absolute rubbish!

Mr Van Onselen—It is a personal opinion.

Mr PETER MORRIS—It is a personal opinion, but it is rubbish. People love trains. How did you get here—by car or did you come by train?

Mr Van Onselen—I came here by car, certainly.

Mr PETER MORRIS—Why didn't you come by train?

Mr Van Onselen—I am talking about interstate freight trains. But, fundamentally, I have—

Mr PETER MORRIS—Why didn't you come by train, if you so love trains? This is the fundamental problem. The public love trains. They think they are beautiful. They feel warm inside about them, but use cars for convenience and cheapness. That is the fundamental problem. It is not because of lobbying. Do not overrate them!

Mr Van Onselen—But do we need to build a four-lane superhighway between Melbourne and Sydney for the motor vehicle?

Mr PETER MORRIS—You go out and tell the public of Australia that there will be no more road upgrading and there will be no more bypasses—you be the brave man that does so. I will watch you.

CHAIR—On that point, it brings a very thought provoking submission to an end. I do thank you very much for that. It was stimulating. Perhaps we might come back to you before the inquiry finishes. Would you be prepared to come to Canberra for a day?

Mr Van Onselen—If required, yes, certainly.

CHAIR—If the committee has any other questions of a minor nature, could you please be prepared to respond to those in writing. We will send you a proof copy of today's proceedings. Thank you.

[12.06 p.m.]

MEES, Dr Paul, President, Public Transport Users Association, 247 Flinders Lane, Melbourne, Victoria 3000

CHAIR—Welcome. The Public Transport Users Association has contributed our first community based submission in Melbourne, and we do thank you for making your time available. Do you have any comment on the capacity in which you appear before the committee?

Dr Mees—For what it is worth, I am a lecturer in transport and land use planning at Melbourne University and I hold a PhD on urban transport policy comparisons between Australia and Canada. I suppose I will try to qualify myself as an expert, as well as a community advocate.

CHAIR—Thank you. I have to caution you that, although you are not under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as would be accorded to the House. The giving of false or misleading evidence is taken as a contempt of the parliament. The committee has received your submission. Do you have any amendments or alterations to it?

Dr Mees—No. I would like to make a brief explanatory statement.

CHAIR—Yes, we will come to that; but there were no additional papers?

Dr Mees—There were one or two typographical errors in the submission, but I am sure your members will have picked them up.

CHAIR—Could you identify those for the secretary later?

Dr Mees—Yes, certainly.

CHAIR—Thank you. Could you give us a three-minute overview of your submission? Then we will break into questions.

Dr Mees—Certainly. I have to start the overview by apologising for the poor quality of what we have put in. We usually do better than this. We have been hit by the serious illness of a number of our committee members and a very busy agenda to do with the whole series of events that I referred to in my covering letter—ranging from the impending privatisation of public transport in this state to my being sued for \$100,000 by the proprietors of the Melbourne Citylink tollway—but I suppose that is just something that enables us to delve more deeply into the question of private investment in infrastructure! I apologise for the brevity of the submission.

Because it is brief, I want to concentrate on the three points we have made. We have tried to put them under the heading of international best practice, because I have some knowledge of what has gone before. There has been a lot that previous speakers have said that we would obviously endorse, such as the need for a more efficient rail system and the need for greater investment and so on. However, one of the things that

interests me is that, when we get down to such questions as how policy should be arranged and how these things should be achieved, we seem to be notoriously reluctant to look at international best practice.

If we benchmark ourselves against international best practice, we benchmark ourselves by asking, 'How many crew does it take to drive a train? How many staff does it take to move passengers or a tonne of freight one kilometre?' What we do not do is benchmark our rail system against international best practice. We do not ask, for example, 'What are the best rail passenger operations in the world, and how do they differ from ours?' We do not ask, 'What are the countries in the world that have best handled the allocation of investment amongst modes of land transport, and how do they differ from us?' In fact, our primary contention is that, if you were to ask those questions, you would find that they would differ from us in almost every conceivable respect.

We have concentrated primarily on passenger operations and investment. You have not really heard much about passenger operations, because most of the industry is not interested in them. An urban—or perhaps a national—myth has grown up that for some reason Australia is unsuited to rail passenger operations and the sooner we get out of them the better, except for a few funny things we will provide for rail buffs, tourists, steam train enthusiasts, and so on. We do not believe that is, in fact, the case. We believe this attitude exists because of the lack of intellectual depth and expertise in the rail industry in the country, rather than because of any inherent disadvantages of Australia's rail passenger services.

We have talked about what international best practice in rail passenger services is all about, and the central ingredient of the model that we have chosen is planning. It is not primarily a question of whether there is a public owner or a private owner of the rail system. In Switzerland, which we have said is the international benchmark, there are public owners and private owners—quite a lot of them. But there is collective planning and to some extent collective funding, which enables these people to cooperate to provide a comprehensive service.

For passenger services, in particular, that is absolutely critical, because that is the only way that you can connect up a wide range of origins with a wide range of destinations. International best practice in infrastructure funding would obviously not have the situation we have here, where road projects of very dubious worth can be funded ahead of absolutely urgent and necessary rail projects, simply because we have a priori rules that there will be, for example, a national highway program and once you are on the national highway program you get funded.

On the other hand, you may have a rail project that might be far more important to the nation than the example we have used here—since I lived in Canberra for a year—of the duplication of the Federal Highway between Goulburn and Canberra. No conceivable national economic rationale could be offered for that. There is hardly any freight. It just enables a few people to drive to Sydney about 10 minutes faster than they otherwise would, because there is next to no congestion on the road, either. There is not even a great deal of gain in terms of road safety. That project is going ahead right now, while some of the desperately urgent rail infrastructure needs that you heard about from the previous speaker are not even being looked at—except in so far as there is a cargo cult fantasy being raised as an alternative, with the private sector descending from the firmament and saving us all by coming up with the money—although no-one has been able to explain to me quite why they should come up with the money.

We have not suggested institutional arrangements, and I apologise for that. It has just been a time thing. But, if this committee did nothing else than recommend that there be a level playing field for federal government investment between road and rail—meaning simply that the projects be assessed on even the basis of cost-benefit analysis, which has some problems—and that the projects with the highest ratio of benefits to cost get funded, regardless of whether they were rail or road projects, then we would be an enormous way closer to international best practice. I think I should stop my three-minute presentation there.

CHAIR—Taking you up on your final point, you were here, I think, when a previous witness suggested a land transport commission. Do you agree with that concept?

Dr Mees—Something along those lines is probably required, but our organisation would not favour attempting to turn the current National Road Transport Commission into that organisation, because—as the students of public administration and public choice theory will tell you—these organisations have a tendency to be captured by the industries that they are supposedly regulating. The National Road Transport Commission has quite clearly been captured by the road lobby and is now part of it, and so it is not a suitable organisation to be turned into this new body.

We have seen this happen in the past. In Victoria, for example, a government elected in the early 1980s said, ‘We want to take transport planning away from VicRoads and put it in an unbiased ministry of transport, so that road and public transport get assessed equally.’ However, all that happened was that the transport planning officials from VicRoads were moved into a different floor of the same building and were given different titles, and the leopard did not change its spots. It merely changed its tie! So, in a sense, there needs to be a reinvention, rather than just saying to that body, ‘You’ve now got two hats.’ To some extent, there needs to be a starting again, because in order to do transport planning in a multimodal way you need a type of expertise different from the sort of expertise you need simply to promote a more efficient road transport.

CHAIR—On that point, if we were to make the world a little more perfect in rail than it has been in the past, I think there is a fair perception that suburban passenger services and some main line routes would still be unprofitable. What is your view on community service obligations?

Dr Mees—Some of them would be, and there is no doubt about that. There are a number of reasons, though. In passenger services, one has to separate out two things. There is the CSO aspect that comes from the fact that pensioners and schoolchildren and so on are charged very low fares—and, to the extent that they choose to take advantage of it, members of parliament get to travel free, and so on. Quite clearly, there ought to be a transparent arrangement for reimbursement of those sorts of concessions but, in a lot of states, including this one, there is not; and so a certain amount of the loss is simply composed of something that should be repaid in that way. In Sydney, where private bus operators get reimbursed, they are able to claim that they do not receive a government subsidy. So there is that aspect of it.

There may also, however, be a general community service obligation payment justifiable on the basis that, since road transport does not bear its full social and environmental costs and everyone except the National Road Transport Commission seems to agree with that, until such time as it does, it might be a sensible thing for the community to try to equalise the situation with subsidies of the more environmentally

benign mode of transport. Ideally, if you made road pay its costs then the subsidy would not be necessary. Until such time as that happens, though, the subsidy probably will be necessary.

CHAIR—You made another statement: that no-one in Australia was taking any interest in passenger rail. I think the Queensland railways would dispute that fairly—

Dr Mees—I think you are right. I should have exempted them from it but, interestingly enough, they were a good indication of the problems that you have. They seem to have an almost unlimited amount of money available for investment and infrastructure but they simply do not have the expertise.

CHAIR—But isn't that the problem?

Dr Mees—It is one of the problems.

CHAIR—I am not trying to be a sensitive Queenslanders; it just surprises me that everyone wants to berate the one government that has made a profit and has put it back into infrastructure.

Dr Mees—I know. I do not want to berate the Queensland government at all. I can tell you we would be very happy to have one like that down here.

CHAIR—When I say the Queensland government I say the Queensland government of all political persuasions.

Dr Mees—In fact, I have had a bit of involvement in some of those infrastructure issues in Brisbane recently. You are probably familiar with the busways project. There has been a bit of discussion about that. If you look, however, at the long distance passenger services, I think in spite of the enormous investment the reality is that Queensland rail still carries a negligible share of the market, and it is a share of the market that is composed almost entirely of trainspotters, school children and old age pensioners. While we want them as well, this is not international best practice. I think the reason, in the case of Queensland, is that they have not done what we have suggested here using the Swiss model. They are, for example, talking about buying a fantastically expensive tilt train and running it once a day to Rockhampton. You eliminate the entire advantage of the higher speed relative to the bus, the car, or the plane if you provide only one departure time per day. The reason why they run those horrible—

CHAIR—They actually plan to have two; one to Rockhampton, and after a couple of months of operation the other train to turn around and do Bundaberg.

Dr Mees—I appreciate that.

CHAIR—It will be a four-trip service.

Dr Mees—Do not get me wrong—

Mr PETER MORRIS—It is the chairman's home city.

Dr Mees—Do not get me wrong. It is certainly a dramatic improvement on what has been provided to date. What we have suggested, however, is that the real way to take advantage of that is to integrate the rail service with local bus services, with cross-country and feeder bus services, and provide a much higher level of service so what you have got is the sort of thing that the Swiss provide, which is something that provides a complete alternative to other modes of transport. It provides a full service so that it is not a matter of saying, ‘I cannot take the train to Rockhampton because I need my car when I get there. I might want to go out and visit Mr Iwasaki’s thing at Yeppoon or vice versa if I am going down to Brisbane where the thing actually does offer a full alternative; and obviously car hire ought to be integrated with it, and so on, as well. Queensland rail do not do that. Do not get me wrong; they are the best in Australia.

Mr McDOUGALL—They have done it on the Gold Coast. The integration is there.

Dr Mees—They have a coordinated rail-bus service. It is integrated to a certain extent.

Mr McDOUGALL—But they can still only get 2,000 passenger movements a day, and I take Mr Morris’s earlier point: the people still will not use it. Can you tell me—you put the infrastructure in place, you put the back-up services in place—how you culturally take the person out of the car and tell them they have got to do something a different way?

Dr Mees—How long have you got? I did my PhD on this. In fact, I am the holder of the only PhD in Australia on this question.

Mr McDOUGALL—I spent three years on the Brisbane City Council Transport Committee and we could not do it.

Dr Mees—What we find in Melbourne, and I think what you find everywhere in the world, is that in situations where public transport does provide a superior level of service—and I guess we are now talking the urban context—it captures the majority of the market. The problem is just that it does not do that very often.

In Australia, we have no understanding of what a high quality urban public transport service is; we have never experienced it. So if in Brisbane, at one place, there is a service where, although you have to pay an extra fare to transfer, and although the connections are not very good, and although not every train is met by a bus, there is a certain amount of coordination, we say to ourselves—because it is relative to what we are used to—‘Gee, that’s pretty good. Why aren’t people using it?’

If you compare that against international practice, however—if you compare that to what you get in the metropolitan area of Zurich—people would say, ‘That’s terrible. No wonder nobody’s using it,’ because in a fully integrated service it is seamless, to use the jargon word. In Switzerland, you get to the station and there is always a bus there; you do not have to pay an extra fare, because it is the public authority’s fault that you have to transfer, not yours. You do not do what, for example, they do in Brisbane, which is that the railways and the Brisbane City Council treat each other, rather than the car, as competitors and spend their whole time running services that undermine one another rather than combining to provide something that can get you anywhere you want to go in Brisbane.

Mr McDOUGALL—That is a fact. He is right there.

CHAIR—But is it a fair comparison to talk about Switzerland, which is a postage stamp sized country with two or three reasonably big cities, against, say, Queensland or New South Wales, into which you could fit Switzerland 20 or 30 times over? There are the practicalities, for example, of having a bus running from Rockhampton railway station to Yeppoon, or wherever. It will happen perhaps in places like the Gold Coast, where a train comes into Nerang and there are 200,000 or 300,000 people in close proximity. But, if you talk about a fully integrated service, it has to be within a level of reality, surely.

Dr Mees—We are not suggesting that you would be running trains once an hour to Mount Isa, for example. But that is in fact the traditional argument that is used against rail—both urban and non-urban—in Australia: that our population density is too low.

When you actually look, however, at the inhabited parts of Australia, 90 per cent of the population lives on about five per cent of the land area. And when you actually look at the densities of those places, while they are not quite as high as Switzerland, for example, they are much higher than Sweden. Sweden has less than twice the population of the state of Victoria and it is three times the size, for example. A lot of it is uninhabited, as is, effectively, a lot of the state of Victoria.

When you actually look at the parts of Australia through which you would look at operating dense services like that, then population densities are really comparable with those in other places. That is actually a reason why we do not favour this idea of running a completely separate inland freight route from Melbourne to Brisbane, because we believe the real way to economically justify high quality interstate rail infrastructure is to share passengers and freight on the same infrastructure.

No-one wants to talk about passengers, and then people say, 'We can't get any public support for investment in rail.' The same people that are saying this are saying that they are not interested in providing passenger services on that rail infrastructure. And then they wonder why they are not getting public support.

We feel that the existing route—in the broad sense of the word—between Brisbane and Sydney is in fact superior to the inland route because it serves so many locations along the way. That is an argument that is probably more significant for passenger services than for freight, but we think it is in fact a very important one. There are as many people wanting to travel per day between Sydney and Coffs Harbour by surface transport as there are between Sydney and Brisbane because, although the population is smaller, they have to come to Sydney for everything from Coffs Harbour.

To come back to the density argument, I think it is actually a myth. The vast majority of Australians live in areas with perfectly reasonable population densities. In terms of Yeppoon to Rockhampton, there is already a bus service from Yeppoon to Rockhampton. It does not even go to the station—let alone connect with the train—because there is no planning. This is the brilliance of free market, open competition. The private bus operator chooses not to integrate his service with the train and the railways choose not to be interested in getting him to do so. That is the sort of thing that we think has to change.

Mr WAKELIN—I just wondered whether you would have a view about the Singapore model, the

taxation of vehicles and the general penalty rates, if I can put it that way, on certain times of the day into urban Australia and the metropolitan area to discourage—and, of course, in Singapore, encourage what is a very good rail system—

Dr Mees—In a sense, they have done that out of necessity. It is just not physically possible to squeeze more than a certain number of cars into an island that size. I guess it is easier for them to do that—

Mr WAKELIN—I would not agree. There is a very clear taxation policy and a very clear—

Dr Mees—I mean that the policy, however, is driven almost by necessity here. It just would not be possible for that government to adopt a policy that said that everyone was going to drive everywhere, because there just is not enough room there. They are also a little less inclined to worry about public opinion than governments are here. I am not entirely sure that that is a good thing from their perspective. I think I would prefer our situation.

It is always easier to sell the stick when you have got the carrot in place. It is much easier to provide direct disincentives for, for example, private car use if people can see that a viable alternative exists. Even in Zurich, which has the best urban public transport system in the world, they did not start kicking motorists until 10 years after they had upgraded their public transport system to something that was so good that it became legitimate to say publicly that it was anti-social not to use it at least to travel into the centre of town, and so on. There is no city in Australia where public transport is within 1,000 miles of that.

Mr WAKELIN—So you would actually rule out the Singapore model?

Dr Mees—Look at those things second, perhaps. You have got to provide the alternative first before the public is going to be prepared to accept the second. If you do it the other way around, you are just saying, ‘We are going to penalise you for using your car, but we are not going to make it possible for you to get around any other way.’

Part of the problem we have here is that most of us have never experienced high quality public transport. As a result we are not aware that nowhere in Australia has high quality public transport by world standards. The places that we think of as having good public transport have mediocre public transport by world standards, and the places that we think of as being poorly served really do not have any at all.

Mr WAKELIN—Do you think that you would have to double the CSO, or that we are aware of all the urban costs?

Dr Mees—I do not believe so. The interesting thing is that people have to pay to use public transport—not in Melbourne at the moment because of their ticketing system. In most places they have to pay to use it. It is an economies of scale business. Public transport, particularly rail systems, is expensive to operate even if nobody uses it, because of the fixed costs of infrastructure, and so on. So you can, if you are smart about it—and the overseas experience shows this—have your economic rationalist’s cake and eat it, too, provided you expand and improve your services in an efficient way. Once you start getting people other than school children and old age pensioners using your services, you get more than a proportionate increase

in revenue because they pay a full fare, rather than travelling free or for concession. I think that probably applies even more so to intercity rail passenger services which are almost entirely patronised by people paying less than full fare and, in some cases, paying nothing at all.

Mr McDOUGALL—It is a fact that 60 per cent of our interstate passengers travel for free because of an archaic system that the states hand out three free passes per year to pensioners. How do you change it?

Dr Mees—That would not be problem if those people were swamped by a great number of full fare paying passengers. The reason they are not is that the service is so bad that very few people who have to pay for it are prepared to use it. You can always carry children and old age pensioners at half fare, as a lot of cinemas do, as long as they are not almost the whole of your customer base. What we have is a problem in that we have scared all the other customers away. We have got to get them back and then that will not be as much of a problem.

Mr McDOUGALL—But the mentality of the railway system and the interstate system is that, the minute you cannot get enough passengers on to cover some costs, you put the fares up. You make the train dearer than the plane and the people fly.

Dr Mees—I lived for a year in Canberra and I have only just come back and that is exactly the case. The interesting thing is that by charging these very high fares there is very little effect on their collections because, of course, nobody pays these high fares; everyone is travelling for half fare, or for nothing. That underlines the principle that there seems to be a fundamental problem of lack of expertise and expert knowledge in public transport planning and operation in Australia. Most of our transport planning experts—if I look around at my fellow academics—are civil engineers who studied road building. That is not a good background to assist you in planning public transport operations.

In the case of the railways, it is even worse. My friends who are a little older than me and who graduated from university in the golden days of the 1960s when most statutory corporations were taking on people, rather than letting them off, will jokingly tell you that everyone with an engineering degree went to work for VicRoads. They did not want you at the railways. They thought that you were overeducated if you finished secondary school. I am not trying to suggest that university degrees are everything, but you have got an industry that has been starved of not just investments but also talented people. On the other hand, you have got a group of people who are very good at building roads who, because they have the highest qualifications, whenever a transport policy change is called for, are hired to advise on what should be done for things other than roads, and they do not know anything about those problems.

Mr McARTHUR—In your letter directed to the committee you talk about some discussion on privatisation. Would you care to give us a comment on your view on the privatisation of the rail network in Victoria? I note that you are into some action with the Citylink. Is that on the public record? If you are allowed, would you care to give us a view about what that argument is? If you are, I am quite happy.

Dr Mees—I think our position—

CHAIR—Excuse me; was the implication there that you might comment on this case?

Mr McARTHUR—No.

CHAIR—For your own protection it would be wise to avoid that.

Dr Mees—No, I certainly would not do that.

CHAIR—This is on the public record.

Dr Mees—That is right. We are waiting for a decision in the full Federal Court and I suspect that, when that decision comes down, further comment will be unnecessary regardless of which way it goes. In terms of privatisation, I think that the PTUA's position is that we are not opposed to private operators being involved in providing public transport. We do believe, however—and it is particularly the case with passenger services—that, if those operators are not subject to a publicly accountable planning process to ensure that they all get together to provide a full service to the public, then you will get a suboptimal outcome.

We used the example of the Brisbane City Council and Queensland Rail undermining one another—a long-running exercise—and it is the same everywhere in Australia. It is just a little more obvious there because it is so institutionalised. Melbourne is, in fact, probably the best example of all. Public transport operators in Melbourne, as I concluded at the end of my PhD, competed with each other rather than with the car.

The best public transport systems in the world, both urban and non-urban, are ones where it looks as if there is only one operator from the passenger's perspective because you can transfer effortlessly, never having to pay extra fares, and it is not a hassle. There might, in fact, be lots of different operators, as there are in the Swiss system, but they are all integrated. They are forced to be integrated because they are dependent on the government for their survival. Even ones like Sydney bus operators who pretend not to get subsidies actually do. So the government is in a position to say to them, 'We will not give you a subsidy unless you agree to be part of the integrated system.'

The current ideology says that they would be better off if they all competed with each other and we had trains, trams and buses all running parallel with each other down the same road. Somehow this is going to be more convenient for passengers. I do not have time to go into the evidence, but the evidence does not support that. There is not a single successful passenger public surface transport system in the world that operates on that basis. All the successful ones and, in fact, the most successful ones, are publicly planned. That does not mean, as I say, that you cannot have private operators, but you have to have some quite strong public planning process to get them to work together.

Mr WILLIS—Just to pick up your point there about the integration of the system: isn't it the case that in Melbourne there is a reasonably integrated system these days? You can get on a bus, go to the station and buy a ticket on the bus which gets you on to the train. When you get off the train you can get a tram and it is all on the one ticketing system. Isn't that reasonable integration?

Dr Mees—The integration of fares is about to be abolished. The next step had not been done—which is actually much harder—and that is to integrate the services. The fact is that, if you take the train to any

railway station in Melbourne, the chances of there being a bus there waiting for you to take you home when you get off the train are pretty close to minimal. If, for example, you take a train on a Sunday evening in Melbourne after 6 o'clock, there are only seven bus routes operating in the entire city serving 3.1 million people, so you would be doing very well. Interestingly enough, they all operate hourly and the trains operate every 40 minutes so it is not even possible for them to connect, except by accident.

It is interesting that the multimodal fare system proved that integration is worth doing, because when we did it in Melbourne we got an enormous increase in patronage. The fact that it then was not followed up by making the other aspect of the system multimodal, I think, is part of the problem we have with a lack of professional expertise in what is really required to make public transport work. We got the multimodal fare system only because we had a strange, eccentric transport minister who told his staff that he would sack them unless it was operating by the end of the year. I suspect that they will not get one in Brisbane until someone does the same thing. It will not happen until they are ordered to do it. I think that the current rate of progress over that same period certainly shows that. They were ordered to do it in Melbourne and it was an uproarious success in terms of increase in patronage and it more than paid for itself. I think that is actually a lesson for us: if we start looking at that on a wider basis, then we really will make some substantial gains for the public.

CHAIR—Thank you, Dr Mees, for that very interesting appraisal. As I said, you were the first community group to appear before us in Melbourne. That is always very important to us because it provides a balance to some of the more hard-headed evidence we get.

Dr Mees—We are very hard-headed too!

CHAIR—We must not lose sight of the importance of community perspective and externalities, as we have been referring to them during this inquiry. If we require any further information, I trust you will be prepared to supply it to us in writing. Of course, the secretariat will provide you with a proof copy of today's proceedings.

On that note, I would like to thank everyone. We are about to suspend the public hearing for a lunchtime meeting, so I have to ask for the public gallery to be cleared.

Proceedings suspended from 12.36 p.m. to 1.34 p.m.

ERMACORA, Mrs Lorraine, Treasurer, Australian Women in Agriculture, PO Box 244, Horsham, Victoria, 3266

MacINNES, Mrs Roslyn, Chair—Finance Committee, Australian Women in Agriculture, PO Box 244, Horsham, Victoria, 3266

CHAIR—I welcome to the table the Australian Women in Agriculture. Before proceeding, I have to advise all witnesses that, although they are not under oath, these committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. Any false or misleading evidence may be taken as a contempt of the parliament.

Is there anything you wish to add to your submission? Do you have any additional material, or you will cover that in your opening statement?

Mrs Ermacora—I prepared the submission in collaboration with the immediate past president, Dorothy Dunn. We do not have any additional material, but we may expand a little bit on what we put in there.

CHAIR—Certainly. On that note, would you like to give us a three-minute overview of your submission, and then we will throw the matter open to questions.

Mrs Ermacora—Australian Women in Agriculture is the foremost body representing agricultural women throughout Australia, and many of these women have contributed to this submission. Governments have a duty of care to provide a safe as well as efficient transport system. Although road fatalities have generally been reduced, the involvement of heavy transport is high; therefore, it is necessary that as much heavy transport be removed from the roads as possible.

Government implementation of policies which make it attractive for transmitters of heavy freight to use large road vehicles and policies that discourage train use for freight display a gross lack of duty of care. Although the commercial use of rail is important to rural and primary industries, the AWIA submission focuses only lightly on the particular needs of freight because other bodies such as the Department of Primary Industries and Energy would be expected to address this in some detail.

It is crucial for the economic health of agricultural industries that they have the support of rural and remote community centres for the servicing of industry and social needs. These communities, like the industries they service, are dependent on economical and efficient transport services systems for their important contribution to the Australian economy. It is therefore a wise investment to provide rail systems throughout rural areas.

Access to the rail network should not be viewed as only the use of rail infrastructure by rolling stock and services, either privately or publicly owned. But the access available to the consumer for freight or passengers to these services which underpin the system's success should be a major consideration.

AWIA understand that women are major users of rural rail passenger services. They need to have confidence in the affordability, the convenience and the safety of that service. Timetabling to suit the needs of a rural clientele, and stops at major regional cities rather than just capital cities for some interstate lines, would in time lead to greater use of passenger services once confidence in the system was established. This could obviate the need for government to subsidise community service obligations.

In a recent media release, the committee chair—you—Mr Paul Neville, was quoted as saying, 'Rail is poised on the brink of a new era or perhaps on the edge of a precipice.' I feel confident that the first part of the quote is the reality. The inquiry shows that the government is thinking about rail; the submissions in the volume I read were supportive of rail, and there seems to be growing public support for better rail services. This could well be generated by economic factors or public concerns about the rate of death and injury which happens on our roads.

CHAIR—Thanks very much. I would like to start the questions on the point you make about the community service obligation. Obviously it cannot be limitless. I would just be interested to know what you see is the government's role, initially the state government's role, as to the community service obligation, and where you see the federal government fitting into a national rail system.

Mrs Ermacora—As to a community service obligation, I see it as it is now. It is a state responsibility, but I would like to see it go more to a federal responsibility, but to maintain healthy communities and the services that rural communities need.

CHAIR—For passengers, freight or commodities, or all three?

Mrs Ermacora—I would not see so much for freight as for passenger services, especially for services that may require subsidies for people who are on pensions and have to go for health reasons. Ros could perhaps tell you more about the health situation in Horsham. Down our way on the Warrnambool line we are better catered for on trains, but they are not very well catered for up in Horsham. It is very uncomfortable if anyone has to go for health services to a major city.

CHAIR—On that point, how often would you travel by rail per year, or how many times a month would you come into Melbourne by rail?

Mrs Ermacora—I prefer to come by rail. I would come a couple of times a month, perhaps.

CHAIR—Twice a month?

Mrs Ermacora—Perhaps, yes.

CHAIR—So you would come up here about 20 or 24 times a year?

Mrs Ermacora—Possibly about 20 times a year by train.

CHAIR—Mrs MacInnes, where you come from, do you have—

Mrs MacInnes—Yes, I am from Horsham. We have a coach service and then can change to rail at Ballarat. I have not travelled on a train from quite some time. I have inquired about the fares. We have a family of six, and to us it is cost prohibitive. It would be \$200 to get us a return trip from Horsham to Melbourne. We feel a vehicle is more appropriate there. But as a child I travelled on trains many times. It was a safe and convenient way to take children to the city. I think I would prefer to be in a train with children, rather than driving, certainly with a car load of children.

CHAIR—One of the big worries in Australia today is major freight movement, especially amongst the capital cities. We have had a submission today that the federal government, with the concurrence of the states, should take over the standard gauge main line from Brisbane to Perth and treat that like a national rail highway. What is your view on that?

Mrs MacInnes—For freight?

CHAIR—And passengers.

Mrs MacInnes—I think that would be great.

CHAIR—Do you think it should be opened up to other users as well?

Mrs Ermacora—What do you mean by users?

CHAIR—Giving people third party access—private rail operators, either for freight or passenger, or tourist services.

Mrs Ermacora—Personally, I would not be concerned about giving private operators access to the line or the service. I do agree with Ros that it would be good to have it organised nationally.

CHAIR—Okay. I will now defer to my colleagues. Mr McDougall.

Mr McDOUGALL—I notice that both of you come from Victoria. Is the paper that you have given to us a compilation of information that you have received from your national network? This is not a criticism, but when you are in Victoria and you want a train line to a country area, it is not far. But when you start talking about trains in the country in states like Western Australia and Queensland, it is a little bit of a different issue. First of all, I am trying to find out whether this is national, or is it basically more state?

Mrs Ermacora—It is a national view. We did survey people through our newsletter. We got responses from New South Wales, Western Australia and more from Victoria, and we also selected what you might call samples of people to talk to. I think, because we are Victorian, it is just easier for us to talk about the system we understand better, but it is national.

Mr McDOUGALL—Are you saying that you want to see existing railway lines used better, or are you saying that you want to see them expanded as well in rural areas? If you take Queensland, for argument's sake, their argument would be, 'Let's not talk about expansion; we cannot even get the use out of

the lines we have now.' They are more worried about using the lines they have, let alone the lines they do not have.

Mrs Ermacora—I think that would be a mixture: the ones who have the lines have the service improved; for the ones who do not have the lines, or who have had the lines taken away, it would seem an impossibility that we would get them back again, but in the long term it may be that it goes that way.

Mr McDOUGALL—They are in Queensland. They have just built the railway back to the Gold Coast, after ripping it up 25 years ago.

Mrs Ermacora—Yes, I read that.

Mr McDOUGALL—You said, though, that rural women are big users of passenger rail. Do you have any figures?

Mrs Ermacora—No.

Mr McDOUGALL—How did you come to that conclusion?

Mrs Ermacora—Anecdotal. We did not do statistical surveys for this submission at all.

Mr McDOUGALL—Were you planning on doing any?

Mrs Ermacora—No.

Mr McDOUGALL—There is always a difference between anecdotal evidence and factual evidence, and I think your answer, Mrs MacInnes, was right on the point, on the basis that you said that you would use it but that you could not afford to use it because of your family's situation.

Mrs MacInnes—Yes, that is true.

Mr McDOUGALL—I wonder whether the anecdotal evidence is that people would use it but that they do not, or that they would like to use it but that they do not.

Mrs Ermacora—Anecdotal evidence also tells me that people would use it, if they could, more often.

Mr WAKELIN—Thank you for your submission. I have a few practical things that I do not think I have focused on—for example, the multimodal systems and the continuity of ticketing. The chairman, another colleague and I hopped on two trams and it took us twice as long to get to this fair city last night.

Mr McARTHUR—You come from Queensland!

Mr WAKELIN—It cost us a third as much to then get a taxi home, but that is another story. We ran into it last night—this whole business—

Mrs Ermacora—So it is not a good thing!

Mr WAKELIN—I suppose I am trying to seek your experience with the train system and with intermodal—the trams, the buses. How well do you think it is done currently? You are obviously suggesting it is not done as well as it might be.

Mrs Ermacora—On the Warrnambool line, which is the one I have to speak about, we do not have the need for it, although you can buy a tram ticket, say, at Colac or anywhere along the line. But that is a separate ticket; it is not combined. My experience would not be as good as Ros's because Ros has the two systems—the bus and the train—if she could afford to use it to find out how it works.

Mr WAKELIN—I can remember years ago—and I come from South Australia—when we would go to Adelaide, we would have a day trip combined over train and bus. Is that the sort of thing you are suggesting?

Mrs Ermacora—Yes.

Mr WAKELIN—It would encourage usage as well as having a convenient ticketing arrangement.

Mrs Ermacora—I would consider plane fares in that too—arriving at an airport in Australia on a domestic flight and being able to hop on a train with the same ticket.

Mr WAKELIN—Yes. Just moving on to a few other areas, you touch on Colac station. West Coast Railway run a passenger service and then for any freight or luggage which is a bit bigger than a handbag you have to go somewhere else to pick it up.

Mrs Ermacora—Yes.

Mr WAKELIN—There is another example where it is just not convenient to use it.

Mrs Ermacora—It is not convenient, no.

CHAIR—Would that apply if you had a weekend bag?

Mrs Ermacora—No, it is more for boxes. You can have a large case, but if you have boxes or things that are obviously not your luggage—

CHAIR—They will not let you carry it on.

Mrs Ermacora—I have been told that I have to put my conference material through on the freight system.

Mr McARTHUR—Did you speak to West Coast Railway about that; did you speak to the manager?

Mrs Ermacora—No, I have not spoken to them about it.

Mr McARTHUR—He was here.

Mrs Ermacora—I believe they were here today.

Mr McARTHUR—Here today? We ought to raise it. If you raise it with them they could have a look at it.

Mr WAKELIN—From a comfort, security and safe environment point of view, I would just like to try to seek a feeling from women by themselves or with a family. Could you describe to me, perhaps historically over a decade or even over 20 years, how it has emerged that rail is less attractive than it was, and some of those experiences. How is rail competing out there to give you that comfortable, secure and safe environment? Can you touch on where the stations might be and accessibility for older people or for disabled people? They are some of the issues. Could you just draw that out for me.

Mrs Ermacora—We have had examples by some people where the rail service has ceased. They have a physical disability. They find it very difficult to get on a bus and that restricts where they can go and what they can do. As far as our line—the Warrnambool line—is concerned, I cannot say that it was better years ago because now we have attendants on the train. In that way it is better. The smaller stations are not serviced, and they can be a little bit quiet at night. I have recently had an example from a woman who travelled from Melbourne to South Australia. She got off at Bordertown or Murray Bridge, the station was dark, and she was there on her own. She did not like that.

Mr WAKELIN—I think you made the point in your submission about the cycle of low investment and then rather poor investment in perhaps the infrastructure like a station or just a light or whatever it might be. This is just a cycle you are bringing out, and it reminds that, really, for a fairly modest expenditure, you could actually make these places safe, comfortable and more amenable to people using them.

Mrs Ermacora—I believe so. It does not have to be an expense through the railway system either. I can see that it could be a private individual having some enterprise at the station and providing those services as a part of their enterprise.

Mr WAKELIN—You made the point about the Green Disk Service, Italy. I am not sure whether that relates to the same thing.

Mrs Ermacora—Yes, that is quite a different thing.

Mr WAKELIN—What I was getting to was that even that sort of service could improve the access to facilities, as I understand what you were getting at there.

Mrs Ermacora—I believe there has been research into rural rail in England to put retail services on stations for this purpose.

Mr WAKELIN—Thank you.

Mr McARTHUR—You mentioned the West Coast Railway, and we had witnesses from that company here this morning. Could you give us some first-hand evidence and what you think about the change in the operation of that particular railway line from the former state run service to now a privatised service—whether it is good or bad?

Mrs Ermacora—The first change that I noticed was that we did not have to reserve a seat. The service had become a little bit rough. There were some people on the train who perhaps did not always behave themselves so, to overcome that, VicRail or whatever they were called then introduced having to reserve a seat before we could get on the train. When the private group took over they did away with that and they put on attendants, which I think is just wonderful. It is really quite nice to travel on the train. There is a cafe car on the train—which is great. I do have one complaint and that is that some of the economy class carriages are very, very bumpy.

Mr McARTHUR—Bumpy.

Mrs Ermacora—Very rocky, very uncomfortable.

Mr McARTHUR—Is that related to the state of the track from—

Mrs Ermacora—I do not think so because first class is not so bad.

Mr McARTHUR—So you are blaming the rolling stock, not the state of the track?

Mrs Ermacora—It is my guess that it is the rolling stock.

Mr McARTHUR—From a consumer's point of view, you were happy that West Coast Railway took over the service when it was closed by the state government?

Mrs Ermacora—I am happy with the service as it is now. I think there have been improvements on what it was when it was run by the state. The main improvement has been the attendants on the train.

Mr McARTHUR—What do you think has been the impact on that corridor from Melbourne to Warrnambool—do you think it provides a service that takes people off the Princes Highway?

Mrs Ermacora—I think it probably does. I did not mention that they have speeded up the service—or I think they have. They stop at fewer stations, or they stop for very short times at the stations—just time enough to get on and off—and that has speeded the trip up. If anyone wants to go to Melbourne for the day they can, although the timetabling could be more suitable for some people along the corridor. Perhaps there could be smaller trains and at different times for different areas.

Mr McARTHUR—There are three trains a day. Surely that is a pretty good service for 200 kilometres from Melbourne—three times a day, both ways.

Mrs Ermacora—If I have to come to Melbourne for anything, I cannot get here before 10 and then—

Mr McARTHUR—Before 10?

Mrs Ermacora—Yes.

Mr McARTHUR—You can get there at 10 to 10 in the morning.

Mrs Ermacora—Usually, yes—not always.

CHAIR—I am not quite sure if this is a matter of federal moment.

Mr McARTHUR—Sorry.

Mrs Ermacora—By the time you get away from the station, it is longer.

Mr McARTHUR—Thank you.

CHAIR—Thank you for a very interesting submission. As I said, it is important that we have community input into these things. We are inclined at these hearings to see the big picture. Sometimes, how it affects people on the ground is not quite so apparent, and organisations like yours help us fill that gap. I appreciate very much the trouble you have taken to come today. If we require any further information, I trust we can write to you and you will respond to us in writing?

Mrs Ermacora—Yes, please do.

CHAIR—Thank you once again. Our best wishes to Australian Women in Agriculture.

Mrs Ermacora—Thank you.

[1.58 p.m.]

PARKER, Mr Alan Arthur, Secretary, People for Ecologically Sustainable Transport, 50 Stirling Street, Footscray, Victoria 3011

CHAIR—Welcome.

Mr Parker—You have the submission that I put in previously. I have brought along today the result of a lot of work I have been doing on processing the data from the ABS 1996 census for the trip to work, which, when you make comparisons going back to 1976, shows some very disturbing trends for passenger transportation in general, particularly for public transport and particular for the railways. I have brought some clean artwork.

CHAIR—Yes; I will come to that in a moment. First, I just have to caution you that, although you are not under oath, these proceedings carry the same weight as those of the parliament and they warrant the respect due to the House. Any false or misleading evidence is taken to be a contempt of the parliament.

The committee has received your submission and you obviously wish to incorporate these documents as part of your submission?

Mr Parker—No, this is just an additional thing mainly for interest to the committee. Nobody else in Australia has processed the ABS census data as it relates to the trip to work by railway—nobody. What I have done is chart these for every Australian city and I thought it would be of general interest to the committee.

CHAIR—Yes. Quite, indeed. I just want to see that they are recorded appropriately. Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The document read as follows—

CHAIR—You have given us that additional material. Do you have any alterations to make to your submission?

Mr Parker—No.

CHAIR—Would you like to then give us a three-minute overview of your submission and then we will take the rest of the deliberations by way of questioning.

Mr Parker—I think what we tried to do in the first instance was to look at world best practice. We took the recent work of Peter Newman and J. Kenworthy at Murdoch University in WA who have done this detailed study for the World Bank. We took the data and processed it and produced bar charts. It is fairly clear from that that the countries that are the wealthiest and the most economically efficient with the best performing transport safety systems—in other words the lowest death rates per hundred million population on the road—in addition to reduced air pollution, all have metropolitan systems based on a very high level of public transport usage, particularly the rail network, and particularly high levels of bicycle usage. I think that was point No. 1.

We were also looking at the need for a national oil security strategy that gives priority to electric railways which, after all, run on coal and we have got a thousand years supply of that. I put an appendix in my submission from the prestigious science journal *Nature* called ‘Oil back on the global agenda’ and within the context of my submission I provided data from the latest research that I have come across on the oil depletion problems.

I appreciate that it is a difficult issue politically. However, when one is looking at the question of building railway infrastructure, one is looking at building cities and they have a design life of a hundred or so years. I would think that anybody who looks 30 years down the track and says there will be no oil depletion problem would have to be a blithering idiot. Anybody who says that if you look 10 years down the track there is a problem—well, I appreciate that is open to dispute.

But the idea that 30 years from now there is not going to be a problem is absolutely ludicrous and this is the point that we try and make in the submission. I would submit to you that our central argument is that investment in railway infrastructure is essential from the point of view of the long-term economic security of this country and its national security. That is the second point we were basically making. The third point was best practice in terms of railway strategic planning and coordination and in there we have got examples of the Netherlands National Environment Policy Plan mark 1 and National Environment Policy Plan mark 2.

Last year, I made a trip to the Netherlands. I spent nearly a month there. I travelled for 12 days on their excellent rail system and I have seen how they have increased public railway transportation by approximately 15 per cent in the last six or seven years. That is a tremendous achievement. They have done it largely by encouraging bicycle access to railway stations. It is common to find 3,000 or 4,000 bicycles at a Dutch railway station. They have a theft problem, but only with the couple of thousand bikes parked outside. There is also an underground bicycle parking area, which is totally secure; there is a steward there and a load of other facilities that cyclists need. You will find that in the Netherlands and in Scandinavia bicycle access is

the key to increasing the catchment areas of your major rail corridors.

In appendix A I have included, 'Bicycles: the way to get to the train' that was printed in the *Australian Rationalist*, with a couple of extra drawings, which makes it self-evident why this is the case. In appendix A, I outline how one creative engineer at least on Queensland railways has made considerable progress in this particular area.

I think that more or less sums up what our submission was specifically concerned with. As I say, we do see the integration of railways and walking and particularly cycling as all going together. There is no way in the world you are going to boost rail public transportation without boosting bicycle access.

The other point that I make from Japan is it is economically impossible to cater for motor cars in the way that rail managements have done in Australia; they think the rail system is run for the benefit of motorists. It does not pay, it has not built up patronage. And world best practice in Japan, the Netherlands and Scandinavia generally shows that this is the case.

CHAIR—Thank you very much, Mr Parker. One question that we have been anxious to probe all witnesses on—those from the public sector, those from the private sector and now yourself from the community sector—is what role you see the community service obligation playing in rail delivery.

Mr Parker—That is really an administrative matter. I would suggest that the way the railways are administered in this country and the way issues like that are dealt with is pretty poor. In the Netherlands, for instance, they had just privatised the rail system there. It works extremely efficiently and I am sure that they have got a very good working model. My approach to problems like that is not to talk to people who have made a mess of everything, which is by and large the case in Australia, but talk to the people who have really made a good job of it. I would think that in the Netherlands, in particular, and possibly in Sweden, you would find yourself a very excellent model. I am afraid I cannot say any more than that, but that is my belief.

CHAIR—Let me put the question in a different way. Where should the government subsidy level to non-paying suburban commuter services stop? What do you think is appropriate? Do you think it should be limitless? Do you think that the main objective should be to get cars right out of cities and have all people on public transport? Do you think there should be a defined limit set and governments fund to that level? What is your general view on that? We want private people to participate in the rail system. They are not going to do that unless there is some defined form of subsidy.

Mr Parker—Yes. The idea is right of having the government fund public transport with lower fares for people who cannot afford it. For instance, I have got a senior's card which enables me to travel at tiny amounts all over the metropolitan system with my pushbike. I can go around and I can—

CHAIR—You can take the pushbike on the train?

Mr Parker—Yes, for free; it is very convenient. That is a social equity issue. I can understand how one has got to refund the private operators, and this is why I suggested the Netherlands. I was not saying I am against that concept; I am just saying that the best practice for implementing it is to be found in the

Netherlands. I would think that, if you do subcontract the whole thing out or sell off the rolling stock or the operations or whatever to private enterprise, they cannot operate like a mini welfare state—the government has got to do that—but I think you will find the mechanism for doing that elsewhere. I would say that, in principle, you have got to do it: if you do not, you will have real problems socially. As I say, that is a social equity issue, and I would think that the parliament would be the best place to decide the overall priorities on that.

CHAIR—You use Holland as a comparison. Holland is a very flat country, is it not?

Mr Parker—Yes.

CHAIR—And some of the Australian capitals are pretty hilly—especially Brisbane, for example, and parts of Sydney.

Mr Parker—Yes.

CHAIR—Are bicycles a practical mode of transport in those sorts of environments? And the other question is this: can you divorce that solely from the existing transport arrangements? For example, let us say that 50,000 Melbourne people decided to come to work on bicycles tomorrow. Would we not have one existing form of congestion being replaced by another one?

Mr Parker—The easy answer to that is that, first of all, it will not happen. But let us assume that it did, because it could be a very useful exercise to look at that. If Melbourne were the Netherlands, for instance, you would have 35,000 people riding a bike to a railway station every day. You probably would have another 35,000 riding directly to work. However, I would point out to you that in the Netherlands—and I have cycled for four or five hours a day in 10 different cities—there is a separate bicycle path, one way, on the side of every main road. They spend 10 per cent of their roads budget, and they have been spending 10 per cent of their roads budget since about 1977, on building those facilities. Their total trips, as a percentage of all trips, is 30 per cent by bicycle. That is an incredibly high percentage, and they have had to pay for it. It has got nothing to do with Dutch culture.

That would be a very desirable situation to have here in Melbourne. But, quite frankly, you would need to spend at least \$30 million per year in Melbourne alone for the next 10 years. With the way it is at the moment, what you have got is male sexist transportation planning. Let me just explain what I mean by that. In the Netherlands, 28 per cent of all trips are by bicycle and, of those 28 per cent, just over half are made by women. If you go out here in Melbourne and look at trips to work by bicycle, or if you look at the hillier areas in Sydney—which has got even more hazardous traffic conditions, from a cyclists' viewpoint—you will find that we only have one woman cycling to work, for every four or five men cycling to work.

One of the effects of the Dutch planning is that it is an equal approach. Women are not locked in to motor cars or public transport. They have got another option, which is not available here. But that is not an option here. If you think that the average female is going to go on a high speed road on a narrow little bike lane, then cop this: they are not. As my wife said to me when we were travelling around the Netherlands, 'This is absolutely beautiful. I have got no problems with this place. I have got a separate one-way path to

myself wherever we want to go, and separate traffic lighting at intersections, with our pedestrian buttons. It works really well.' So do not let us underestimate the big problems.

Mr WILLIS—Mr Parker, thank you for quite a detailed submission, which puts before us quite a bit of information which has not been put to us before. Thank you for that. One of the aspects you seem to be developing, although I am not quite sure that I accept it, is that the most wealthy cities are those that have effective fixed rail public transport systems that can compete with the car. You seem to be suggesting that they are wealthy because they have this sort of system. But may it not be the other way around: that, because they are wealthy, they can afford to have a very good public transport system? Perhaps it is at a very substantial cost to their budgets; nevertheless, they have decided to do it and they can afford to do it because they are very wealthy.

Mr Parker—I think you will find that I quote an economist who studied Japan in this regard and that it is the other way round. The Japanese made a very deliberate decision that they were not going to waste their wealth on their population running around in motor cars. They built an excellent public transportation system and, if you look at the productivity of their office workers and their factory workers—over 80 per cent of whom get to work by public transportation, by bicycling or by walking—you will find that all of those hidden costs of motoring are not an on-cost on top of the products that they sell abroad. If you want to look at the Japanese economic success and its economic miracle, the decision that Japan made in the 1950s not to invest in freeways and not to invest in roads but to invest in public transportation—for the very obvious purpose of servicing their factories and their offices—was an extremely wise decision. It is a decision that is not understood in this country by anybody in the transport fraternity.

Mr WILLIS—I think these international comparisons are a little difficult in some ways. Japan is a vastly different place from Australia. As the chairman has said, the Netherlands is also a very different sort of place. It has extremely flat terrain, as he suggested, and therefore it is much easier to ride bikes there than it is in many parts of Australia's suburban areas.

Mr Parker—Can I tell you what the Japanese are doing to deal with the hills? As you know, Japan is a very hilly country, extremely hilly. They are developing a power assisted bicycle, which is an electric bicycle with a 300-watt power system. In something like four to five years, they will have made their first million. Honda, Toyota, Mitsubishi and the two motorcycle manufacturers have all developed models of these. This is what the elderly cyclists there are now turning to, to deal with their hilly suburbs.

Whereas, in the 1970s, a lot of younger Japanese were riding a bike to a railway station in a rather hilly area and working up a sweat, what they are doing these days is actually buying an electric bicycle. I have, in Japanese and English, a manual with 50 complete specifications of these hi-tech machines. The Japanese design teams in Honda and Yamaha have actually put together one that has a small computer chip in it that is linked to sensors in the pedals, so that you only get the power assistance you want. If you were looking at new technology for actually dealing with an easy way to get to a railway station in the hilly areas—which is probably about 55 per cent of Sydney, about the same for Brisbane, and even more for Hobart—the power assisted bicycle would be the way to go.

However, we do not have any rational understanding of transportation and this new technology in this

country. I have, over the past two years, tried talking to the professionals developing the new Australian road rules. I was trying to get the new Australian road rules changed so that the limitation on power assisted bicycles is such that most of these Japanese power assisted bicycles could be sold here. What they have is an unrealistic limit on a power assisted bicycle of 200 watts. Out of the 48 really top class power assisted bicycles on the market in Japan, only eight of them will satisfy that requirement. We need to lift that limit to 300 watts—but try talking to the people who have never physically seen one of these! Top-line engineers in Japan are planning to sell one million of these every year over the next 10 years, in the China market alone.

Mr WILLIS—Getting Australians en masse onto bikes is going to be a massive exercise. I do not know quite how we go about doing that but I do know that there is enormous use of cars at the present time, as your submission rightly points out. As you say, if you want to encourage public transport, then one way to do it is to discourage car use. How do you suggest we do that?

Mr Parker—Follow the Dutch model.

Mr WILLIS—Charge what they charge for fuel, do you mean? It is probably about double.

Mr Parker—No, not just that—a whole swag of measures. The Dutch have managed to hold the fort against the motorcar. They have not succeeded in cutting back the growth of it but they have managed to contain it. To a certain degree, they have civilised their cities as a consequence. Most of Europe is doing that. Even the British government, after many years, is finally getting into this particular exercise.

CHAIR—Mr Parker, taking up Mr Willis's point, Canberra has an excellent cycleway system, probably superior to anything else in Australia, yet comparatively few people in Canberra ride bikes to work.

Mr Parker—But there is a difference in the new town of Canberra, because that is what it is. Menzies initiated the concept after his experiences in Britain with the British new towns movement. Canberra was built by town planners imported from Britain to Australia who had worked in the British New Town development corporation.

CHAIR—I understand that, but, to be fair, these innovations came under the previous Labor government as part of the better cities program, if I am not mistaken.

Mr WILLIS—No, they have been around for years.

Mr Parker—No, it goes back to the NCDC which was providing bicycle facilities before anybody in the Labor Party ever heard of it. It stems from the fact that most of the senior planners there had had several years experience working in English new towns. I am an expert on new towns. Do you know why? Because I lived in one for seven years and I have done two study tours of 12 new towns in the UK and one in the Netherlands. There is a big difference between an English new town and what you built in Canberra. It is called density, it is like Milton Keynes. Canberra is a city built for the car with bicycle facilities tagged on as an afterthought. New Dutch towns and new German towns are designed for sustainable transport. They are designed primarily to encourage pedestrian, bicycle usage. They are not designed for thoroughfares for motorcars, that fully cater for parking with bicycles thrown in as an afterthought, even though there is a

complete network—I agree with you. Canberra is not a bicycle city; it is a car city. It is an abomination in comparison with a Dutch new town like Almeer, for instance.

If you are going to talk about sustainable transport, you have to get rid of petrol-headed illusions, which is very difficult. Once people have lived for 50 or 60 years and have been running around in a motorcar, very rarely using a train, a bus or a tram—as one transport planner at a road corporation said to me once, ‘I haven’t been on a tram in 20 years,’—it is very difficult to talk about these things. I can assure you, the English new towns have three or four times the level of bicycle use that you have in Canberra. Almeer in the Netherlands, which was built from the ground up, has something like 25 per cent of trips to work by bike.

Mr WILLIS—But we cannot rebuild all the Australian towns on the new town model. They are all there as they are. We can gradually increase the urban density, but that is a prolonged process. You cannot make the kind of cities that you see in Europe suddenly appear in Australia. We have to live with the cities we have, change them over time perhaps to make them more like the model that you would like, but that is a very long-term program. In the meantime, you cannot just tell people to jump on their bikes.

Mr Parker—I appreciate that, but I thought the idea of this inquiry was that one would look at the long-term vision and the long-term issues in terms of rail infrastructure, learn from world best practice and start to put in place something that would slowly, by just one per cent per year, change the situation. You have asked me, ‘How can you change it? How do you deter car usage?’ The Dutch are really good on this. They are translating all their material into English for the benefit of the European Union. Also, Tony Blair has commissioned a couple of studies to look at the whole thing now.

However, it is very difficult to grasp here the reality of what the Dutch are doing. For instance, if you take their national design manual for car parking, in paragraph one it says that the purpose of the Dutch national design manual for car parking is to discourage car use. You have 70 pages describing how you accommodate the car as a necessity, but how you phase it out gradually and reduce car usage. In other words, it is a policy of intelligent car parking that is designed not to generate more and more car use. In their policy there are incentives for local councils for converting car parks to bicycle parks.

CHAIR—I do not want you to run out of time. I know my colleagues Mr McArthur and Mr Hollis want to ask you questions.

Mr McARTHUR—I was interested in your comment on the Japanese situation. You say that for a country that was a big manufacturer of automobiles, they discouraged the use of the car in their own domestic economy. You were suggesting it was based on having no car parks. You were suggesting in your literature that it was a national policy, that it was a policy position of the government.

Mr Parker—Yes.

Mr McARTHUR—They would put those savings back into manufacturing cars to send them somewhere else. Are you confirming that?

Mr Parker—The Japanese do what is good for them and what you do with their motor cars is your

problem. They are totally uninterested in the fact that certain countries are wrecking their urban environment by letting the car be overused. If you go back to the 1974 oil crisis in which both the Netherlands and Japan had factories locked up for three or four months—a major threat to their national security—what the Japanese did then was reinforce a policy that went back to 1955. That was a deliberate policy of building up rail infrastructure and giving priority to rail infrastructure. All that the 1974 oil crisis did was confirm their previously held beliefs about how cities should be run and how they would not be under threat. You have got to realise that Japan is not like Australia, it has not got any oil.

Mr McARTHUR—What is the current position? Are they continuing with that policy?

Mr Parker—Yes, but in a different way. They have put their cities in place. There is no way the ordinary worker is going to park a car in central Tokyo, not unless he wants to pay \$200,000 for a car parking space. It is not on. They built their infrastructure. Their infrastructure is extraordinarily efficient. Their bullet trains can move people for less energy per capita—

Mr McARTHUR—Let's keep with the car. You are confirming that car parking in Tokyo is non-existent and that therefore, the population is encouraged not to use a car. Is that correct?

Mr Parker—Yes. Look at the car parking at Daimaru here in Melbourne. You would never get that amount of parking in the same department store in Tokyo, you would only get one-tenth of it. The thing that you will learn from Daimaru here—

Mr McARTHUR—You have some interesting material in your appendix here about the fact that in Melbourne the average distance from a railway station is 2.2 kilometres. You are suggesting people can walk or ride a bike. How would you implement that process of encouraging people to get to their urban railway stations?

Mr Parker—Yes, just dump their existing car parking policy and put all the funding into secure bicycle facilities.

Mr McDUGALL—We are talking about rail. We are trying to get a person two kilometres from their house to the train station, that has got nothing to do with a car.

Mr Parker—I know. That is what I say in what I have written. My objection is to what they have done in Melbourne. You will find—this will be denied but I have got a copy of a study that was done several years ago on this that was leaked, and I have it at home—that of the people who drive a car to a railway station in Melbourne 60 per cent of them come from within easy cycling distance, that is, two kilometres or less. You will find that 20 per cent of them who drive a car come from within easy walking distance, which is roughly 600 metres, believe it or not. And they wonder why—

Mr McARTHUR—I am just trying to get you to help me: how do you suggest we overcome that problem. What is your recommendation to the committee?

Mr Parker—The most important thing is that you get a rational policy on vehicle parking in which

all vehicles are treated equally, including those of the disabled. For 20 years in Europe they have had reserved places for cars at railway stations for the disabled and they have been encouraging bicycle use. Here they have not got a clue. I talk to these people and I have been to the Industry Commission.

Mr McARTHUR—You are not giving me a recommendation of how you will overcome the problem.

Mr Parker—You just spend the money. You build the bicycle facilities.

Mr McARTHUR—Thank you.

Mr HOLLIS—I am not unsympathetic to what you want but I actually do find a lot of contradictions in what you are saying in your report. I too know Holland. I cycled around Holland when I was much younger and fitter for a month or 6 weeks. I go to Amsterdam, where I have got friends, most years and I also know Japan quite well. I just cannot believe it when you talk about Tokyo, or Japan. If that is their policy, it has failed miserably because you cannot move on the streets of Tokyo today for cars, parking areas or not. I was in Japan in July and I went on super highways throughout the country. You go to Osaka or any of those places and they are building three-storey roads, all for the motorist. Yet you are here saying—

Mr Parker—I said that Japan built its energy efficient infrastructure in the 1960s and 1970s for today. They are now on the top of the pile and there is now a different emphasis. They are now building roads. Let me ask you one question directly, if I may, because you have been there. Do a mental count of the proportion of commercial traffic on a Japanese freeway, and the amount of private traffic, and then compare it with the south-eastern freeway here or any freeway in Australia. You will find that their freeways are chock-a-block with commercial traffic. That means that if those expensive roads are more economically and efficiently utilised—

Mr HOLLIS—It is as someone else said here today: you cannot compare one city to another city and say that because the system works there it must work here. Of course it works there because of the layout of old European cities. For example, you cannot get cars to the middle of Amsterdam, they end up in the canals. I mean, it is the way that those cities have evolved over hundreds of years. That is why they have got bicycles there: if they had evolved exactly the same as this city they would not have. The worst traffic jam I have ever seen was in Shanghai with bicycles. The bicycles were tied up for ages. I said to the person I was travelling with, 'My God! Imagine if they were cars.' You cannot put the cars in the cities there but in places like Beijing they are making a good attempt. My point is: it is very difficult to take an example from overseas, say from Holland, and say, 'It works in Amsterdam, it must work in Melbourne.' It does not work here at all. I also find a great contradiction when you are talking about these pollution free cities that you quote here. I have visited most of those cities and have found them to be some of the most polluted cities on earth. Beijing is always polluted, as are Tokyo and Manila.

Mr Parker—Sorry, you are looking at the bar chart there. If you look at the text, I did not refer to Manila, I did not refer to Beijing. You will find it is mainly coal fires in Beijing that are the problem, not motor cars. No, you are looking at the bar charts there and that is the data, not the specific recommendation.

CHAIR—But didn't you say in your own words:

In terms of MJ/per passenger kilometre Beijing is the best performer . . . and Manila the second best.

Mr Parker—Yes, but I give you four graphs, four bar charts. I am objectively looking at the performance to take in one parameter. There are four parameters—right?

CHAIR—I see.

Mr Parker—The others are clean air, road safety and wealth. My argument is—

CHAIR—I may have misread the graph; I am sorry.

Mr HOLLIS—I must have too.

CHAIR—But my colleague Mr McDougall has a pertinent point on the graph. He is quite an analyst in these things and would like your view on it.

Mr McDOUGALL—I would like to ask you about the graphs that you gave us today that you did from the ABS figures—and I am coming back to rail journeys to work. I am not talking about bikes and I am not talking about cars; I am talking about rail journeys.

Mr Parker—Good. That is what we are here for.

Mr McDOUGALL—That is it, exactly. With five capital cities and rail journeys to work, every one of them except Perth shows a decline: Sydney, Melbourne, Brisbane and Adelaide. Between 1991 and 1996 there has been a massive increase in rail as a percentage of all work journeys.

Mr Parker—Yes, but look at the rail base percentage figure.

Mr McDOUGALL—No, you have not heard my question yet. How did it happen?

Mr Parker—Well, I hope you would know the answer to that.

Mr McDOUGALL—I am sorry; you are the one producing the information; we are the ones trying to find out what you are producing and why. What happened?

Mr Parker—I think that Perth has been an excellent example of a city that did a transportation plan way back in 1988 and has been working on the expansion of its public transport system. If you look at the low base for Perth—remember these are percentage trips of all journeys—way back in 1991, you will find that Perth was a very car orientated city, because there were only 2½ per cent of the trips of all journeys to work—

Mr McDOUGALL—What did they do?

Mr Parker—They invested in the rail system, of course.

Mr McDOUGALL—Thank you.

Mr WILLIS—Mr Parker, they built a whole new railway to the northern suburbs, a completely new rail system, which obviously meant a big increase in rail traffic.

Mr Parker—Can I make one quick comment about that graph with the five cities?

CHAIR—We are really over time, but a very quick comment.

Mr Parker—I think Sydney has done remarkably well there. Since 1996 they have attempted to increase public transport usage again. You will notice that they have got a very high percentage—16 per cent—of all journeys to work by public transport, which is the best performance in Australia. Melbourne is looking like a basket case, coming down from 12.2 per cent of trips in 1976 to nine per cent of trips in 1996. Brisbane is not as bad, but there has been a very rapid urban growth there—it is a different problem.

CHAIR—I take your point and it is a very good illustration. I think Mr Willis might have hit the nail on the head. It was a combination of two things. I think the new line would have been one thing. The other thing was they bought some very sophisticated rolling stock from Walkers of EDI in Maryborough, with which I am familiar. I have a feeling that very comfortable travel to work might have had something to do with it.

On that point I must thank you for your presentation. It is important, Mr Parker, that people who have an ecological dimension in the community add to these inquiries. As I said to the last witness, we see the big picture quite often, but we do not always see the balancing argument from the community. I appreciate your time in coming here today. If we have any more questions, I trust you will address them in writing and we will provide you with a draft copy of *Hansard* for your perusal. Thank you very much.

Mr Parker—I will give you clean copies of the art work off my laser printer.

[2.40 p.m.]

BENNETT, Mr John Arthur, Policy Analyst, Municipal Association of Victoria, 11 Milton Parade, Malvern, Victoria

CHAIR—I would like to welcome to the table the Municipal Association of Victoria. That is the local government association, is it?

Mr Bennett—That is correct.

CHAIR—Is that the full association or just the cities and towns?

Mr Bennett—No, it is the full association. It represents 74 of the 78 municipalities of Victoria.

CHAIR—I have to caution you that, although this evidence is not given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as is accorded to the House. The giving of any false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Have you anything to add or any additional material you wish to provide in relation to your submission?

Mr Bennett—I thought I might summarise the information we have already provided and put it in terms of the five terms of reference.

CHAIR—You do not have any additional material?

Mr Bennett—No, only these notes which I could furnish if necessary.

CHAIR—They are just notes to yourself?

Mr Bennett—Yes.

CHAIR—Would you give the committee a three-minute overview of your submission, and then we will do the rest of it by debate and questions.

Mr Bennett—Okay. Firstly, local government does not have a direct role in rail in Victoria in the sense that we do not provide any infrastructure or become involved in the provision of services, but indirectly we are involved. For instance, if rail lines are closed, we become involved in the provision of local roads, and there are issues of economic development, community transport and so forth.

In quickly summarising the five terms of reference, in terms of the first, the improvement to the current situation, our submission basically has two strands based on a strategic approach. The first is that we think there should be a strategic policy organisation which looks at things like developing a vision for rail transport, that develops strategic plans, sets national standards and is involved in the promotion of rail as a viable alternative in the transport network.

The second strand relates to a national infrastructure body or organisation which may or may not be publicly owned. In terms of the Municipal Association, we really do not necessarily have a strong view one way or the other, but we do think there should be one organisation which is responsible for the infrastructure across Australia.

We would say, though, that if there was a need for dedicated lines, such as there is in some other states—for instance, coal lines, iron ore lines or whatever else—they should not be privately owned even if the rest of the network was publicly owned; that there is an opportunity for a bit of a mix there. In Victoria, for instance, if there was a new rail link from the city to Melbourne airport, there is no reason why that could not be operated separately from the rest of the network, provided it was within this strategic plan that we are talking about.

In terms of the second term of reference, opportunities for private sector involvement, we are pretty used to competitive bidding and competitive tendering in local government in Victoria. You have heard from West Coast Railway this morning, or today, and we would see that as a model of how the private sector could be involved in the provision of the rail service.

In terms of the third term of reference, we think access should be open to anyone based on the tender process, registration of interest process. Obviously they would have to demonstrate competence, and where necessary infrastructure should be upgraded to cater for demand.

I understand from reading some of the other submissions that the national track access authority, I think it was, was saying that in fact there are problems in terms of the capacity of the network in certain sectors. We would say that if there is a need, if there is an actual demand from people to use the system, then the infrastructure should be increased or improved.

The fourth issue, relating to effective investment, comes back to some issues which were discussed before, and that relates to the relative economic viability or financial viability of rail, as against other modes, and particularly road. We would argue that, until the travelling public understand the full cost—for instance, of using cars—then they will not transfer to rail. Likewise, with freight operators, if they are paying between \$4,000 and \$5,500 per year to register their freight vehicles—and, in fact, that is not a true representation of the cost or the damage they are doing to the road network—then there will not be a swing back to rail. It is simply not a level playing field.

The final one was international best practice, which we really did not have a firm view on. That is, very quickly, a summary of our submission.

CHAIR—You have a range of members, no doubt. You represent country shires, provincial cities and the metropolitan area, so you would have different pressures even from within your organisation. You would have heard earlier today the Australian Women in Agriculture articulating the case for country areas. What is your association's view on the community service obligation? Where should the limits be on that?

Mr Bennett—It will depend on whether it is city or regional areas. In a major city like Melbourne, people without cars have many alternatives in the sense that they can catch a tram, a train or they can get a

bus or a taxi or they can perhaps get friends to drive them. Although time is a problem, the actual distance is not as great. But when you go to regional centres, obviously the options—the alternatives to rail or to whatever the public transport service is—are far more restricted.

There would be a variation across our members in terms of how they would see that. Just to use West Coast Railway as an example, my understanding is that the Victorian government actually provides the railway company with an amount of money for their community service obligation. I might be wrong, but that is what I understand is the situation. The Municipal Association would consider that should also apply elsewhere. If a private company is providing a service, there should be some mechanism of determining what the community service component is.

CHAIR—Let me put another proposition to you. In local government itself, you quite frequently use special levies for sewerage, water and so forth as a charge against developers or, if there is no development in a particular area, you may put on a special levy to include a new suburb in a sewerage system or something like that—a special rate levy. The principle of the user or the beneficiary paying is quite high in local government. It has been put to us that should not be extended in terms of beneficiary to the transport system. If a particular suburb or area benefits from having a rail extension to it, should not that be a charge against the developer or the council or through the council that community perhaps for a dedicated period in exchange for the social or financial benefit that accrues to that area? What is your view on that?

Mr Bennett—The notion of collecting development levies for new development is quite well established in Victoria. Under the planning system, we have what is called a development contribution plan. To date, I guess it is fair to say that has been used for the upgrading of arterial roads. So the developer, obviously, does all the development within the subdivision and the council then charges a proportional levy for the improvement of other roads—state highways leading into that area or arterial roads. So, in that sense, the principle is well accepted. Assuming that a rail line would move into that suburb and could be proved to serve those new residents, I think that principle is well established and could be applied.

Mr WAKELIN—The suggestion is that an organisation should champion the role for rail as the National Road Transport Commission has for road. You make the point that the coordination of rail and road in the one organisation may be okay, but then you were concerned, as I read it, that maybe rail might still miss out. What I am trying to understand there is would you be happy to see rail encompassed in something like a national transport commission?

Mr Bennett—Yes. My experience is that rail is the poor relation and in the committees, or whatever else that I have been involved in, rail is very much the forgotten thing. Particularly in local government, roads are the key thing and to get a shire engineer or a city engineer talking about trains or trams is way outside their field of knowledge. When they talk about transport planning, they think about road planning. I am concerned that there is that mind-set in many organisations. I have had a fair bit to do with the NRTC and I know it is a roads based organisation. They are very roads based.

Mr WAKELIN—We really need to change a culture and to include rail in it, in your opinion, would be quite difficult.

Mr Bennett—Yes. It is very similar to the Victorian situation, if you know that, where the government has now set up the Department of Infrastructure. My perception, as a bit of an outsider, is that is still a very roads based organisation. It incorporates the PTC or the organisations with new names but, essentially, it has very much got a roads based culture.

Mr WAKELIN—Thank you, that is a good point. Moving on, you say:

. . . a separate national rail infrastructure organisation should operate with a mandate to on-sell 'track access' to service providers.

I wonder whether you could give us some of the reasoning behind that. Obviously, we are taking evidence from the states and New South Wales has a regime and all the states have various regimes. You are very strong on a national rail infrastructure organisation selling the access.

Mr Bennett—I guess it comes back to the issue of coordination and getting consistency in the actual infrastructure. Let us face it: Australia has had a terrible history in that regard, even to the point now where state rail systems still order different railway engines. They have different characteristics. Maybe the national policy organisation could set a policy framework which could then provide the basis for the operation of the individual state systems. But it seems to me there is still an awful lot of duplication in trying to get those groups together. It would be much better to have one infrastructure organisation.

Mr WAKELIN—You make the point that local government is unlikely to become involved in the ownership, although it is conceivable that maybe local government, over time, could see rail like it now sees community bus services. There you are suggesting that maybe there is a community awareness or awakening to the fact that rail might be becoming more acceptable in the community.

Mr Bennett—Yes. It is hard to represent 74 different points of view. Some of our inner municipalities, such as Port Phillip, are very keen to see non-road based transport promoted. They actually have, I guess it is fair to say, a fairly proactive view about council getting involved in provision of rail based transport. Whether that means they actually buy trams and trains and run them, I am not sure. But a number of the councils there are promoting that idea.

Mr WAKELIN—Clearly, local government is involved in the provision of bus services, is it not?

Mr Bennett—Yes.

Mr WAKELIN—Therefore, it might not be too much of a quantum leap to think in terms of where rail would be appropriate so that it might consider that.

Mr Bennett—In terms of an innovative approach, that would be the case. You could certainly conceive that in regional areas where perhaps a council could take a very proactive view about maintaining or obtaining rail for their community.

Mr WAKELIN—My last question is about the old bottom line, which local government is very well

aware of, as federal government is, which is the dollars. You touch on the competition between road and rail when you make the point:

Nevertheless, local government would support improvements to the rail sector provided it was not at the expense of local roads and road funding.

You imply there that, if the federal government were to be involved, it would be more money from the federal government into rail and that the status quo should remain with road.

Mr Bennett—Not necessarily; it depends on the approach taken. If private enterprise was involved and was providing the funding, there would obviously not be a call on the federal government or on the state government or, indeed, on local government.

CHAIR—There is evidence, to be fair, that says that the rail pays its share of excise, even though it does not use roads, and that its return from the Commonwealth bucket—for want of a better expression—is not proportional to its input. There are also suggestions that there should be a national land transport commission that would make sure that those sorts of things were distributed equitably. What is your view on that, to follow up on Mr Wakelin's question?

Mr Bennett—We also made a submission to the road inquiry. It comes back to the bigger issue of an approach to integrated transport, and also to a transparency about how funding is being raised from the various sectors and how it is going back, principally so that it is a transparency for the people who are using the transport so they can then make informed decisions. I am not quite sure I can answer that directly in terms of the current system. I think the current system, in a sense, is imperfect in how funds are collected and how they are then reimbursed.

Mr WAKELIN—I was just trying to draw out that with road and rail there is that perception in the community. A lot of evidence will come to us in the future, as it has before, about the right balance. I was just interested to try and draw out that local government is saying, 'Okay, put more money into rail,' but you sort of balance that with saying that it does not exclude the private sector, as I understand it, but do not upset the road funding because you need it to maintain the current infrastructure.

Mr Bennett—Particularly local roads—we are focusing on the local roads. By and large, any improvement to the rail system will not take cars off the local road network.

Mr WAKELIN—In fact, there is a supplementary issue—it may not apply here in Victoria, though I am sure it probably would—that the closure of rail lines and the impact on local government roads is, I can imagine, quite significant.

Mr Bennett—In some places it is, yes, particularly rural areas.

Mr McARTHUR—We had witnesses from the Australian Wheat Board and we raised the issue of B-doubles, B-triples and general heavy traffic to silos, and the movement of wheat on to roads off rail or to rail. Would you like to give us a local government perspective on the quite dramatic breakdown of local roads to

railway facilities and those roads which are used by B-doubles for the cartage of grain?

Mr Bennett—I cannot give you any specific facts in terms of the percentage of roads or costs. A large number of those vehicles would be using state funded highways to get from point A to point B but, obviously, at either end they would be using local roads.

Mr McARTHUR—But local government people spend their lives—

CHAIR—Mr McArthur, if I could interrupt you, Mr Morris has a question and he has to leave, so I will just take his question and then come back to you.

Mr PETER MORRIS—It has been partly covered. But the other thing I wanted to raise was that, looking at your submission and, similarly, at a number of the other submissions, they all talk about rail but nobody addresses the vast areas that they represent that do not have access to rail services and are never going to have access to rail services. Has the association got a view about that? You are only interested in where rail exists, but not anywhere else?

Mr Bennett—It would be quite impractical to put rail to every community in Victoria.

Mr PETER MORRIS—No, I did not say that. I am saying, of those areas that do not have rail services, is any consideration being given by the association to provision of rail services or do they not have a view about that?

Mr Bennett—No, they have not formed a view about that.

Mr McARTHUR—In your local government association you would surely have heard the argument voiced quite strongly about the impact of heavy grain handling trucks on municipal roads. That is the fundamental argument. I just want to get a response from you on that.

Mr Bennett—It is certainly a strongly held view. I cannot provide you with facts, but that is a view that our members would have very strongly, that, at either end of the state highways, where trucks are coming off the farms onto the state highways and, at the other end, going off into the loading areas there is considerable wear and tear on the local road network.

Mr McARTHUR—You do not need to get a lot of factual data. You need to go and look at the roads and some of the access roads to the grain terminals. Do you have a point of view on that?

Mr Bennett—That would happen anyway: if you have a railway line with siding solos along the railway line, you will get that wear and tear into those silos anyway. If you take the railway line away completely, I guess the argument then is that the trucks will travel longer distances to more major centres. So there would be wear and tear in those more major centres. On the roads to and from those major centres, sure there would be more wear but, from a local government point of view, a lot of those roads would be state funded highways. It is still an issue but, in terms of local government, it is not a cost to local government.

Mr McARTHUR—The argument that I hear is that, with the deregulation of the transport system, grain is allowed to be carried by bigger road transports. A major issue facing local government and state governments is that the depreciation on the road network is considerable and no real funds are being devoted to repairing the damage.

Mr Bennett—That is true and I suppose I am trying to make that distinction between the state highways. From the point of view of a local government that distinction exists. You have got state highways, which get state funding. You have got your local road network, which basically gets funding from either local government rates or direct from the federal government. So there are those two different components.

In terms of, say, grain local government is by and large only concerned at either end. If a truck is going 50 kilometres or 150 kilometres along a state highway, from a local government perspective—very narrow, I admit—it does not impact on their works.

Mr McARTHUR—But surely some of your members are really upset about this quite considerable shift of the grain tonnage from the rail network to the road network, and a lot of that goes over your local municipal roads.

Mr Bennett—They are concerned about it on two fronts—directly on the local government road network but also on the state network, but less directly.

Mr McDOUGALL—There has always been something about local government that has intrigued me, and I am a creature of local government. You mentioned earlier that local government is prepared to ask the developer to make a contribution in relation to a housing estate or the building of a factory or the building of a commercial enterprise. But, when it comes to asking the agricultural producer to make a contribution from his economic gains towards the upkeep of the infrastructure that is being utilised to help him get those gains, local government does not want to ask the question. Why?

Mr Bennett—Politics, I suppose.

Mr McDOUGALL—Pure politics, is it? Would it not stand to reason that, if everybody is going to be in the user-pays cycle—and if you are going to have these roads that Mr McArthur talks about from the farm to the silo on the local roads—the economic gain is to the people who are selling the grain? Why should they not make a contribution? If the same local government gave an approval for a manufacturer to set up a car manufacturing plant or a component manufacturing plant on the land instead of growing grain, you would ask that manufacturer to make a contribution towards the upgrade of the road for the development approval, would you not?

Mr Bennett—You would, I agree.

Mr McDOUGALL—My case rests.

Mr Bennett—The same applies to the dairy industry and the timber industry.

Mr McDOUGALL—Absolutely. We had exactly that argument during the road inquiry.

Mr Bennett—I agree. If one industry pays, why not another?

Mr McDOUGALL—That is right.

CHAIR—Thank you for evidence today. It is very important, and it is another dimension. We have had industry, rail users, community and now another level of government. That sets the whole fabric together for us to have a look at with respect to Melbourne. If we require any additional information, we will contact you in writing. Would you respond in writing?

Mr Bennett—Yes.

CHAIR—We will forward you, as is the normal practice, a copy of the draft of today's proceedings for your perusal. Thank you to all of the witnesses who have appeared before us today and those of you who have been in the public gallery.

Resolved (on motion by **Mr Wakelin**)

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

Committee adjourned at 3.05 p.m.