



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

ADELAIDE

Monday, 20 April 1998

OFFICIAL HANSARD REPORT

CANBERRA

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

Members:

Mr Neville (Chair)

Mr Hardgrave	Mr McDougall
Mr Hollis	Mr Peter Morris
Mr Lindsay	Mr Wakelin
Mr McArthur	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

BUTLER, Ms Margaret, Manager, Policy Development and Evaluation, City of Unley, PO Box 1, Unley, South Australia 5061	956
CARTER, Mr Mark Clayson, Chair and Executive Officer, Rail 2000 Incorporated, PO Box 8229, Adelaide Station Arcade, South Australia 5000	898
CHABOT, Mr Charles, Chief Executive Officer, Australia Southern Railroad Pty Ltd, 320 Churchill Road, Kilburn, South Australia 5084	931
DINGLE, Mrs Margaret, Secretary/Treasurer, People for Public Transport South Australia Inc., 120 Wakefield Street, Adelaide, South Australia 5000	948
FINNIN, Mr John, Chief Executive Officer, Great Southern Railway, Burbridge Road, Mile End, South Australia	912
GREEN, Mr Ronald John, Chief Executive Officer, City of Unley, PO Box 1, Unley, South Australia 5061	956
HALLION, Mr James Vincent, Executive Director, Industry Policy and Infrastructure, Department of Industry and Trade, GPO Box 1264, Adelaide, South Australia 5001	877
LANDER, Mr Frank James, Project Officer, Rail 2000 Incorporated, PO Box 8229, Adelaide Station Arcade, South Australia 5000	898
PAYZE, Mr Rodney John, Chief Executive, Department of Transport, Urban Planning and the Arts, 33-37 Warwick Street, Walkerville, South Australia 5081	877
SANDFORD, Mr Gordon James, Manager, Rail System, TransAdelaide, GPO Box 2351, Adelaide, South Australia 5001	877

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Present

Mr Neville (Chair)

Mr Hardgrave

Mr McDougall

Mr Hollis

Mr Peter Morris

Mr Lindsay

Mr Wakelin

Mr McArthur

Mr Willis

The committee met at 9.01 a.m.

Mr Neville took the chair.

[9.02 a.m.]

HALLION, Mr James Vincent, Executive Director, Industry Policy and Infrastructure, Department of Industry and Trade, GPO Box 1264, Adelaide, South Australia 5001

PAYZE, Mr Rodney John, Chief Executive, Department of Transport, Urban Planning and the Arts, 33-37 Warwick Street, Walkerville, South Australia 5081

SANDFORD, Mr Gordon James, Manager, Rail System, TransAdelaide, GPO Box 2351, Adelaide, South Australia 5001

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Micro-economic Reform in its inquiry into the role of rail in the national transport system. Today, in Adelaide, is our ninth day of public hearings of this inquiry. We are looking forward to hearing from the witnesses who are appearing before us. I would like to emphasise that the committee's role is not as a lobby group for the Commonwealth government or, for that matter, for any other government in support of particular rail projects. 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. So on that note, I welcome everyone who is appearing before the committee today. Would you like to make a comment on the capacity in which you appear?

Mr Payze—I am chief executive of a new department—established since the recent election—the Department of Transport, Urban Planning and the Arts, which also includes the Office of the Status of Women. I will give a very brief overview of our submission.

Mr Jim Hallion is with the Department of Industry and Trade. Jim has been actively involved in negotiations for the completion of the link between Alice Springs and Darwin. Jim will be able to answer any questions from the committee with respect to that.

We concentrated principally on the rail freight industry in our submission. However, by way of explanation to the committee, I should inform you that the state government does own and operate a fairly extensive diesel rail system and tram system for urban passenger transport. Jim Sandford is from TransAdelaide, the government's owner and operator of that system, and Jim will answer any questions in respect of urban rail.

CHAIR—Do you have any additions to your submission?

Mr Payze—No, we do not.

CHAIR—You are all senior public servants so you understand that, while you are not under oath, these are proceedings of the parliament and warrant the same respect accorded to the parliament.

Mr Payze—Yes.

CHAIR—Would you like to give us a short opening statement of about five minutes on where you are coming from? Do you need to make statements as well, Mr Hallion and Mr Sandford, or will you do an overview?

Mr Payze—I will just give an overview.

Mr Hallion—And then I will add about two to three minutes just to update the committee on the Adelaide-Darwin railway.

CHAIR—Mr Sandford, do you need to add a little?

Mr Sandford—No, I do not. I am happy to answer any questions.

Mr Payze—The South Australian government, with the exception of the urban passenger system, is not an owner of rail. It is very interested and sees the importance of both the intra and the interstate rail as having a significant effect on the regional economy of this state. However, in recent years there have been some very fundamental changes to the rail industry in South Australia. With the sale of Australian National, we now have a private owner of the rail infrastructure and an operator of rail freight operations within the state. I understand you are going to receive evidence from that company, Australia Southern Railroad Pty Ltd today. We also have the interstate passenger system now operating into and out of Adelaide with a private owner, Great Southern Railway Ltd.

Since November, the Commonwealth has been actively engaged in establishing the Australian Rail Track Corporation which is of significant interest to this state. The current staff associated with the track access unit of Australian National will go into that company. We are expecting the headquarters to be here in Adelaide. That will provide us for the first time with a single operator or manager of the national network and will provide us, I hope, with a seamless rail system of operation.

We are seeing more operators providing services on the national network. There are for the first time some very positive signs about the completion of what we see as a very important link in the national rail network between Alice Springs and Darwin. Notwithstanding the need as we see it for a very efficient intrastate system, and the new operator is working towards making that system more and more efficient, from a state perspective our real focus and major concern needs to be to get the interstate railway network up to scratch.

It goes without saying that we need a vigorous, robust interstate rail system that supports port competition, that is a true competitor to road transport, and that is a true, genuine competitor to domestic shipping. Whilst it is fair to say that rail productivity has improved in recent years, in my view rail has failed to compete overall with road transport and has not realised its potential. That is specifically so for medium to long haul freight in the container and break bulk area.

The national rail summit in September of last year paved the way for a cooperative approach to the management of the national network in a seamless way. However, the challenges rest firstly with the development of consistent operating protocols and procedures; secondly, with the move towards a national

system of access for all operators; and, thirdly, with a commitment to an investment strategy to achieve acceptable and competitive performance standards. They are my opening remarks to set the scene.

CHAIR—Thank you, Mr Payze. Mr Hallion?

Mr Hallion—I thought it would be useful to bring the committee up to date on the status of the Adelaide-Darwin railway project. We made reference to it in our submission but, of course, events have moved on a lot from the date of our submission.

As I am sure the committee is aware, the Adelaide-Darwin railway project is a build, own, operate and transfer project at a cost of approximately \$1 billion. About 1,410 kilometres of new railway is to be built between Alice Springs and Darwin. The project will also incorporate the Tarcoola-Alice Springs railway into its operations. The railway will also be integrated with the port of Darwin. The Northern Territory government have completed stage 1 and are in the process of starting stage 2 at a cost of \$187 million.

The AustralAsia Railway Corporation has been established by both the Northern Territory and South Australian governments to oversee the process of selecting short-listed bidders. The corporation was set up by legislation in both jurisdictions and it now has offices in Adelaide and Darwin. Its role is to manage the expression of interest process, to manage the subsequent detailed submission phase of the project, which is stage 2, and to maintain an oversight of the construction of the railway. The corporation's responsibility is to provide recommendations to both governments—that is, the South Australian and Northern Territory governments—regarding the short list of consortia and recommendations on the successful consortium to build, own, operate and transfer the project.

Back in August last year, you will recall that the Prime Minister agreed to contribute \$100 million to the project, matching \$100 million provided by each of the Northern Territory and South Australian governments. Expressions of interest for the project closed on 1 December last year. There were over 30 expressions of interest from national and international consortia wishing to build the project. Very strong interest was received for the project. We have now gone through an extensive selection process, and on 8 April the two governments announced the three short-listed consortia to proceed to the next stage. Both governments are heartened by the depths of interest in the project and have selected three very strong consortia to proceed to the next stage. That is a brief summary of the status of the project at this point.

CHAIR—As you would probably be aware, we are now at the ninth day of public hearings and some of the themes are starting to become quite evident. One thing that is emerging is the condition of the track between Melbourne and Adelaide. In fact, it is probably one of the dominant themes of the evidence that we have received from all sorts of quarters. Mr Payze, I would be interested to hear from you what the history of that is; what the main impediments to the efficiency of the Melbourne-Adelaide link are, both on the Victorian side of the border and perhaps in the Adelaide Hills; and what can be done to improve the infrastructure. Have you looked at that aspect of it and done any estimates of the cost?

I would address this to you, Mr Hallion: is it not true, given your preliminary estimates of the economics of freight from Adelaide to Darwin and presumably in the other direction as well, that that would not be sustainable without a Melbourne component? And to what extent does this inefficiency in the

Melbourne-Adelaide link impact on the efficiency of the proposed Adelaide to Darwin link? Mr Payze, would you like to lead on that?

Mr Payze—I would just draw the committee's attention to appendix C of our submission. I make no excuses for the fact that this is a fairly superficial overview but, as I said at the outset, my government does not own the track. This was previously Australian National track. Therefore, I do not have a detailed understanding about the elements of that corridor. But, suffice to say from a South Australian government perspective, we do believe that the efficiency of the rail link between Adelaide and Melbourne is paramount. The submission makes a case for significant work to go into rail infrastructure within the Victorian section to bring the track at least up to a reasonable performance level with respect to reliability and to speed.

On the Adelaide side, the gradients east of Mount Lofty summit provide a challenge to meet a reasonably reliable travel time between Melbourne and Adelaide. With improvements to rail track infrastructure in Victoria and with some improvements to gradients in South Australia, I believe we could probably get a service between Adelaide and Melbourne within a 12-hour turnaround. So, to that extent, I believe it would become fairly competitive, if not very competitive, with the road transport industry. That would be our major thrust in terms of capital investment to the interstate system from a South Australian government perspective. Can I go on to say that, if we are going to provide very efficient landbridging of containers, then the issue of double stacking of containers becomes evident. That would require some significant infrastructure expenditure to provide the clearance under some bridges within the metropolitan network and in tunnels through the Adelaide Hills.

CHAIR—Have you done an estimate on that at all?

Mr Payze—I defer to Jim because I think it goes back some years now.

Mr Hallion—If I can give you a bit on the history of the track which you asked about and answer your question that way. The track has been owned from Adelaide through to the Victorian border by Australian National under Commonwealth ownership and then from there into Victoria by the Victorian government. There have been previous studies done on the costs of standard gauging the track when it was in broad gauge and double stacking. At the time those costs were \$300 million to \$350 million, of which about \$100 million were standard gauge costs. So you could derive that perhaps \$150 million to \$200 million was the cost of double stacking in the mid-1980s, and that is for the whole corridor. I am not aware of any more recent estimates on that.

In South Australia the main works are four tunnels in the Adelaide Hills that would need to be headed out with a header to remove the height restrictions and the track would need to be lowered under a couple of bridges. That is probably of the order of \$30 million to \$50 million but, to my knowledge, there has not been an accurate recent estimate done—at least not by us. You may want to address that question perhaps to the track group which will form the new Australian Rail Track Corporation.

CHAIR—Can you comment on the economic viability of the Adelaide to Darwin link?

Mr Hallion—In terms of the Adelaide-Darwin railway project, about 12 per cent of the total freight

tonnage—which was estimated in the base case analysis that was done by Booz-Allen and Hamilton for the South Australian and Northern Territory governments—or about 150,000 tonnes of freight actually moves between Melbourne and the Top End. So the movement of freight on the Melbourne-Adelaide through to Darwin corridor is quite significant in terms of the total tonnage of about 1.25 million tonnes on that corridor. That is the existing freight share and, obviously, improvements to the rail through improving the transit time—as Rod Payze has mentioned earlier—would make it more comparable with road transport. Also, 12-hour transit times means you get a complete cycle turnaround of locomotives so that locomotive efficiency on that corridor would improve dramatically. So costs would improve as well as market share.

If that were extended to double stack, then that would enhance even further the viability of the project. But I do want to emphasise to the committee that, although we regard the existing corridor—as Rod Payze said earlier—as deficient in terms of its standard of performance, it is providing about 12 per cent of the tonnage and it will continue to do so in the foreseeable future. The tonnage is an important element of the project. Any enhancement to the Melbourne-Adelaide corridor would further enhance the viability of the Adelaide-Darwin railway.

Mr PETER MORRIS—Much of that is northbound and southbound?

Mr Hallion—Much of that is northbound. The balance of flows—

Mr PETER MORRIS—About 80 per cent or 90 per cent?

Mr Hallion—A little over two-thirds go up and one-third back. I do not have the breakdown beyond Adelaide in terms of how much comes back but I suspect a very large percentage of it would be unidirectional; that is, going from Melbourne to Darwin.

CHAIR—Mr Wakelin, seeing we are in your territory, you might like to open the questioning.

Mr WAKELIN—I have just three main areas. You made the point, Mr Payze, that South Australia has not been in the business of rail for some time. Therefore, I suppose your evidence is a little different from the evidence in other states because we are dealing with people who have had that hands-on experience. With that background, in your submission you talk about the integration of transport generally—about cabotage, larger trucks and other things. I just want to get a picture of how South Australia sees rail, and you made the point that you see the opportunities there in the future. How do you see rail might perform with our roads, the changes in cabotage arrangements, the larger trucks and those sorts of things? Can you give us a picture in terms of the integrated transport for South Australia?

Mr Payze—A lot has been said about maintaining competitive neutrality between the modes. I am not denying that competitive neutrality is an issue, but I think in this country, with the tyranny of distance, we have to have all modes operating at their best efficiency and we have to enable them to compete wherever competition is valid.

If we take just our intrastate freight task in South Australia and look at the rail component of that, very significant to the agricultural industry is the ability to be able to collect, store and export to the overseas

market our wheat. The South Australian cooperative bulk handling company are working on a strategic plan for their role in the collection, storage, transport and export of grain. That strategy has a number of selected sites distant from the port terminals where they will have a major storage responsibility. The demand of the export of wheat is dictated by the shipping industry and the ship frequency, so it is of paramount importance that we can get the grain from the external storage facilities to the terminal and into the ships. Rail is the only mode, I believe, that gives us a long-term sustainable future to be able to do that. The intrastate connection—the rail connections with the wheat industry and our terminal ports—is crucial in an integrated sense.

I have already mentioned that perhaps the east-west corridor is our most significant link for container traffic. I do not ever see the port of Adelaide and the port of Melbourne necessarily directly competing with one another, but the South Australian exports out of the port of Adelaide or the port of Melbourne are again dictated very much by the shipping industry, and the frequency of calls in Melbourne are very much greater than the calls in Adelaide. Unless we can change the international shipping industry, we have to have both of those ports working in harmony for South Australia. So the rail link and the ability to be able to get containers from South Australia to Victoria very quickly and vice versa is very important in an integrated sense.

The end result of the lifting of cabotage or the more direct focus of domestic shipping to our international freight task is a very difficult one to put a quantum on, and I am not really capable of giving a detailed analysis of that. In a sense, I think the intrastate rail is very, very important for our export business, so too is the interstate network, particularly with container traffic.

Mr WAKELIN—I appreciate you do not have the hands-on experience, but you make the point in your submission that the rail summit operators required 17 separate approvals, and you would be aware that we have heard that in every state in every submission. Where do you understand that is at in trying to get the standardisation? If Adelaide is to become head office for the ARTC, how do you understand that is coming together, and are you satisfied with the time lines that have been set?

Mr Payze—I think I said in my introductory remarks that the summit last year was the first indication of a very strong approach towards cooperative action to try to get our operating protocols and standards uniform across this country. Since that time, a working group under the standing committee on transport, which is a technical committee of the Australian transport ministers, has been working towards establishing the status quo. My understanding is that they have engaged consultants to do that work, and the consultants will be presenting a status report to the ministers this week.

Mr WAKELIN—That is consistent with what we are hearing. Are we satisfied that we are going as fast as we can? It seems that significant progress is being made and, from your understanding, it is satisfactory and you do not see any inhibiting factors there, apart from the history of it?

Mr Payze—The history is one thing. I do not think that we should underestimate the complexity of the issue—everybody would like it to happen quicker. There are issues of capital investment and there are issues of training—all of those things are down the track once we have some good understanding that we are going to cooperate on this sort of issue. The establishment of an Australian rail track authority to manage the

network as one single authority is a very significant step in the right direction.

Mr WAKELIN—So you doubt whether the Australian Rail Track Corporation approach is the right model. You suggest:

A more robust approach involving all the major players may be more productive, given that much of the change will not be legislatively based and will rely on voluntary cooperation.

In other words, you are seeing all the players coming together in a more broadly based approach to it.

Mr Payze—Let me explain. The National Road Transport Commission was established to try to bring in national law relating to road transport. The issue with rail is not with the law; it is with the operating procedures and protocols. I do not see the need to have a single authority to do that. In fact, it would be duplicating in many respects the role and responsibility of the Australian Rail Track Corporation.

Mr WAKELIN—That leads me to the access on the Alice-Darwin line. A suggestion has been made about the traffic on that line out of Tarcoola on the east-west, if it were to go ahead. There are some optimistic signs and I agree with Mr Hallion. What is the access like on that line currently? What slots are available for the north-south part as well as the east-west part? What sorts of things need to be done in terms of infrastructure to ensure that the trains can basically get access to that track, particularly for north-south?

Mr Payze—Between Tarcoola and Alice specifically?

Mr WAKELIN—Yes, but also the implication for Alice-Darwin. Do you have a view on that?

Mr Hallion—The analysis that has been done for the two governments by Booz-Allen and Hamilton takes account of what is required to ensure that they have the necessary capacity through the corridor, in terms of crossing loop locations, signalling, et cetera, to provide the sort of frequency for the tonnages that are envisaged on the railway. It will tend to be run with very long trains, something in the order of two kilometres in length. Therefore, because you are building such long trains, the frequency of service will not be an onerous impost on the existing infrastructure in the short term. In the longer term, as volumes build up, there will be a need for more crossing loops, but the capacity in general on our east-west network is quite low by international standards. The US, for example, runs two or three times the freight density that we have on our interstate network now. In fact, one of the difficulties we have is that there is not enough volume on our rail network and it is largely a fixed cost business which requires volume. If you are the track owner, generally you welcome freight volume coming onto your track, because it will cut—

Mr WAKELIN—It is not an issue, basically, Mr Hallion?

Mr Hallion—That is right.

Mr WAKELIN—I would not have thought so, but it was raised. The sceptics will always be with us, and there are many sceptics in this country about the north-south railway line, particularly the Alice-Darwin component and its viability. What evidence could you offer us, apart from the three strong bidders that have come in this last week, that this is a viable line—commercially viable and viable. There are two definitions

there. What evidence would you like to offer this committee that it is a goer?

Mr Hallion—There are two real elements to it. Firstly, is it economically viable? In other words, does the economic and financial benefits of the railway outweigh its costs? There has been enough work done in the past to show that the railway is very solidly economically viable. Secondly, the challenge is: at what level of contribution from the three governments is the railway commercially viable? The work done for both the South Australian and the Northern Territory governments by Booz-Allen and Hamilton has shown that quite high rates of return on equity and internal rate of return on the project can be achieved. For example, the rate of return on equity at the base case freight volumes of 1.25 million tonnes on the corridor is about 18 per cent, which is at the point at which people become interested and it starts to meet their hurdle rates of return for a project of this size.

With the contributions that the three governments have made, we believe that the project is viable. The ultimate test will be when we get the final detailed submissions. These consortia, and I might say many of the other 30 consortia that were prepared to submit bids for this project, would not have done so had they not felt that there was a viable project. There are international and national interests in the three consortia that have been selected—and, I might say, there was great strength in the other consortia as well. They would not be tendering for this project and would not be putting submissions for this project if they felt that it was not viable to proceed. We have every confidence at both the South Australian and Northern Territory government level that this project will proceed.

Mr McDOUGALL—I would like to take that a little further. From the evidence you have given us, my understanding is that you are dependent greatly on Victorian freight to come through Adelaide to go to Darwin to get the volume of 1.25 million tonnes. If that is the case, what happens if a private consortium builds Melbourne to Darwin through New South Wales and Queensland? If that happens—and it is possible—who picks up the tab then when the volumes do not generate out of Victoria to give you the overall volumes through the Adelaide to Darwin network?

Mr Hallion—Perhaps I can answer that in two parts. Firstly, I said that it is significant—about 12 per cent of the tonnages—but I did not say it was greatly dependent. It is a significant amount of tonnage on the corridor.

Mr McDOUGALL—That is current, but what about the future?

Mr Hallion—If a Melbourne through east coast railway were built, there are a couple of points to note. Firstly, the shortest route from Melbourne to Darwin is still via Adelaide by a significant amount. So your presumption that freight would be diverted to go through the east coast route remains to be seen. We would expect that, even if an east coast route were ultimately built, it would mainly service freight on the east coast. Certainly, Brisbane freight to Darwin would be enhanced. That corridor shares a significant amount of track from Tennant Creek through to Darwin. It therefore would enhance the viability of the Adelaide-Darwin project because something like 1,000 of that 1,400 kilometres of track that needs to be built would become jointly used and would start to move freight from Brisbane and perhaps Sydney, where there are very low market shares going through to Darwin on the Adelaide project, for obvious geographic reasons. It would actually enhance the project. So we do not see that an east coast railway option is any significant

threat at all to the project. I might add that more recently the proponents of the east coast project have also seen the benefits of sharing 1,000 kilometres of otherwise constructed track at the Top End.

Mr McDOUGALL—Just to change the subject altogether, I want to talk about track access and TransAdelaide being your local city passenger system. Have you a separate infrastructure below rail infrastructure there from any of the private operations? What would be involved through the Australian Rail Track Access Corporation? Do you require the use of some of each and, if so, what sorts of access arrangements have you got in place to be able to do that? I ask that question based on the evidence we have had about New South Wales where they have got an enormous problem. In other words, you build a track for freight and then CityRail nick it and you do not have one in the end. What is the structure in South Australia, particularly in Adelaide, in relation to that?

Mr Sandford—There is largely track separation within the metropolitan network. The metropolitan network is broad gauge and the existing interstate tracks are standard gauge. I would assume that any new track built would also be standard gauge. So we have only one or two interface points where we have got the standard gauge track, the Melbourne to Adelaide line, crossing our broad gauge track at Goodwood. We share a broad gauge track with ASR, I think it is, running a train from Angaston in the Barossa Valley down to Port Adelaide. Again we have an interface agreement with, I think, ASR. It is not an issue and I do not think it will be an issue in the future because of the gauge separation that we have in Adelaide.

Mr HARDGRAVE—I note in your submission—it is on page 928 on our numbering—you state:

. . . claims by private entrepreneurs that major rail links can be built and operated without any call on the public purse are suspect.

Why do you make that claim?

Mr Payze—The point to be made there is that over the years the interstate rail network has, quite frankly, been run down and it would not meet in an international sense any comparable performance standards. Unless the network were lifted to a base where it could be competitive, it is unlikely that, without equity from governments, a private sector would take the full cost and risk on. That was the point that was being made.

Mr HARDGRAVE—What about the arrangements for the Adelaide-Darwin line? What are the arrangements there?

Mr Payze—There is an equity injection from all three governments.

Mr HARDGRAVE—So that basically proves the point that you are trying to make.

Mr Payze—Yes.

Mr HARDGRAVE—Given that a lot of people say that the economic centre of Australia is shifting north and moving away from Melbourne, one would suspect that the Melbourne via New South Wales via

Queensland to Darwin proposal, which uses the last 1,000 kilometres of the Alice Springs-Darwin link, is more viable than the Adelaide-Darwin one. How do you respond to that?

Mr Hallion—I do not really want to comment. Whichever comment I make I will offend one or other of my colleagues.

Mr HARDGRAVE—If I wanted to be political, I would state who it was who suggested that, but I will not.

Mr Hallion—I think it is fair to say there will continue to be in both South Australia and Victoria a very large manufacturing base. There is a misconception that manufacturing in Australia is in decline in some respects. There has certainly been a vast amount of structural adjustment occurring in the manufacturing sector in both South Australia and Victoria, but that has resulted in those industries coming out to world-class competitive levels of performance in many cases. You only have to go out to some of our bigger industries here, such as our motor vehicle assemblers, to see that they are now operating at world-class levels and producing world-class product.

We are now at a stage where that manufacturing base is well positioned for the future, both here in South Australia and in Victoria. That manufacturing base will continue to export strongly. I cannot quote the Victorian figures, but I know that in South Australia 70 per cent of our exports are now manufactured product. We are seeing a stabilisation in the work force. Last year our manufacturing sector actually grew slightly in work force numbers. A very large percentage of the growth in export performance out of this state has been from a manufacturing base.

Manufacturing bases in both South Australia and Victoria are alive and well. They will be continuing to export product to the world. There is no doubt, despite the current Asian financial crisis, that our exposure into Asia in the future will increase. A large amount of product will continue to be shipped out of both Victoria and South Australia for the long-term foreseeable future.

Mr HARDGRAVE—I admire your loyalty. At the end of the day, though, the suggestion that the public purse is going to be on call for the sorts of major projects that are being put forward then begs one last question from me: can both occur? Are both going to be viable and possible?

Mr Payze—I am not sure that I understand the question.

Mr HARDGRAVE—Are both these projects—the alternate one up through the thriving and alive east coast and the one that comes through the rust-belt states—going to be viable?

Mr Hallion—The ultimate test of that is whether the consortiums ultimately go ahead and deliver on both projects.

Mr HARDGRAVE—You are talking about a call on the public purse. Is the public purse going to be that widely opened?

CHAIR—On that point, Mr Hallion, you might outline for us what the contribution of the Northern Territory and South Australian governments is and how it is going to be applied. Is it going to be applied on the new track section only, or is part of it going into the upgrade of leakage to the existing track? Is there a component of repayment in that, or is it an outright subsidy?

Mr HARDGRAVE—Can I just add one other point there? Given that the last thousand kilometres of the joint venture track is going to be needed by the private consortia, is there any great drama there—access will be granted and there will be no problems with that sort of position? You now have a multifaceted question.

Mr Hallion—The first question was how it would be applied. In the South Australian case, our grant is very clearly articulated within legislation. We will be providing \$100 million in 1996 dollars. That will be outlaid as the project is completed in four tranches—at 25 per cent, 50 per cent, 75 per cent and 100 per cent completion of the project. Our money will be tied to milestones for the project.

The Northern Territory have reserved their position until they see the bids as to how they will apply their funds. The Commonwealth is still under discussion with both the Northern Territory and South Australian governments as to how its \$100 million will be applied. All three funds are capital grants to the project and it is very clear that there will be no ongoing operating subsidy provided to the project, so the consortiums that are proceeding are very well aware of the nature of the contribution of the three governments to this project.

In terms of access to the project, three options for access are being considered at present. One is to apply an access regime similar or identical to that which applies in South Australia to the intrastate rail network under the Railways (Operations and Access) Act, which is an open access national competition policy principles type access agreement. That is the first option and that is certainly one that is being considered. The second is for the consortia who ultimately build it to apply to the ACCC and get a determination about access. The third option is for them to wait and see whether someone would apply for access under a part IIIA Trade Practices Act application.

In a sense there are three ways in which access could be provided. I would expect that, in that case, it would probably be a negotiated arrangement between the successful builders of the projects because of the volumes likely to be involved. But there would be access principles or regimes available to whoever was second, or the third party in that case.

Mr McARTHUR—I raise two issues. One is your upgrade of the link between Adelaide and Melbourne. I compliment you on your appendix. The issue is, who is going to pay? Is it going to be the Australian track authority or is it the Victorian government, and how will that amount of money be raised? Why do you think it is so important in South Australia to have that link working effectively? I have a question on the Darwin railway.

Mr Payze—Can I answer the first question about who is paying? The understanding clearly is that the federal government has \$250 million set aside, presumably to allocate through the Australian Rail Track Corporation, to expend on the interstate rail network. South Australia's position is that there is a very

compelling case for some part of that \$250 million to be invested in upgrading the railway line in Victoria to bring it up to a reasonable standard. My understanding also is that the rail track access unit, which will become part of the corporation, has been working on establishing an understanding of the needs for upgrading the interstate network and starting to think about how they may prioritise investment in the future.

Mr McARTHUR—What is the advantage of that link to South Australia? Could you give us your assessment?

Mr Payze—I cannot speak for the Victorian government's attitude.

Mr McARTHUR—It has just been put to this committee that the Victorian government was liable for some of that upgrade capital money.

Mr Payze—I cannot speak on that.

Mr Hallion—Perhaps I can answer the second part of the question, Mr Chairman, in terms of the value of that link to South Australia, both for the Adelaide-Darwin railway and also because it is also a very significant corridor from the state's economic perspective. For every dollar that we export, about \$2 goes interstate—primarily to the east coast—so the Melbourne corridor is a very significant freight corridor for us in this state. Secondly, as I mentioned earlier, because about 12 per cent of the tonnage on the Adelaide-Darwin railway has its origin already in Melbourne, any upgrade to that corridor would enhance the amount of freight that it gets on rail at its start point; if it gets on rail to start with, then it will probably stay there. It is certainly quite strategically important to us. It is important for industries here, such as the automotive industry, which are export based and also, of course, send their product all over Australia.

Whilst very little of it goes on rail now, there is a potential—if that corridor had double stacking on it, for example—for a vastly significant amount of more car traffic to go on rail. If you look at the US experience, where they do have double stacking on rail widely, car traffic is about No. 2 and sometimes No. 3 volume for the railways in terms of revenue. Very substantial amounts of car traffic, for example, are moved by rail. Here, because of the limitations, not only in the Melbourne corridor but also up the east coast, very little car traffic tends to travel on rail.

Mr McARTHUR—With regard to the Darwin-Alice Springs railway, why is there an obsession with the port of Darwin when we have the ports of Brisbane, Melbourne and Sydney, with some others attached on the side? Why is this whole proposition based on the fact that Darwin will be a major port and will be effective when we have port infrastructure in these other locations? If the line becomes unviable and the governments have put their money in—I notice you say in previous evidence that some of them are a bit reluctant until they actually see the figures—what will be the liability of the Commonwealth and the state governments to keep that line going if the figures do not work out when it actually becomes operational?

Mr Hallion—I will answer the fourth question first. The first point to note is that the base case freight volume that I mentioned of 1.25 million tonnes is what freight is actually moving in the corridor now, and is almost predominantly domestic base, so the base case for the railway is more dependent on domestic freight than it is on overseas container traffic—landbridging. The port upgrade is seen by the territory as an

important element to their economic growth. You would have to address questions to them about the timing and why, and how much they have done, but they have seen it as a very important element to their long-term domestic growth. They also see their proximity, particularly to South-East Asia, as an important element in that. They are very close to a number of ports that are being developed in Indonesia and other locations. That is a question you should best address to them.

Mr McARTHUR—The South Australian government is putting its money into the project, so you really should have an answer to that saying whether you agree or disagree with Darwin being a good port.

Mr Hallion—We certainly believe that it is important that the port is upgraded. The Northern Territory is in the process of doing that; it has already completed stage 1. This will provide additional freight to go out through the Northern Territory to Asia, particularly time sensitive freight, and that is important to South Australia. There is no doubt that we regard this as an integrated project in which the port upgrade and the railway are important, not only for us in terms of servicing domestic freight into the Northern Territory, but ultimately in providing us with an avenue, particularly for time sensitive and high value freights—refrigerated freight, for example—into Asia.

There are a number of instances now where product is simply not able to be placed—food product is one example, which is one of our leading industry sectors here—into the market in sufficient time, and particularly in the Korean market, to allow for the shelf life limitations that are placed in that country. There are opportunities that a railway and integrated port will open up for the South Australian economy and therefore we are supporting the project as an integrated capability.

Mr McARTHUR—What is the government's liability if it does not work out?

Mr Hallion—If, for example, the consortium build it and operate it for some time—that is the scenario you are looking at, I presume—and it then ceases to operate, I would expect that there will be no shortage of other operators prepared to take on that capability.

CHAIR—Colleagues, without wishing to bog down or in any way to detract from it, there are other issues we need to address and we have only about 10 minutes left. Mr Peter Morris and Mr Willis also wish to ask questions. But there is one thing that I want to introduce into this and it will concern you, Mr Sandford, and that is, why did the South Australian government set up TransAdelaide? What is the average number of passenger journeys per day? Can you separate out the rail passengers from that? I would be interested to know where your future spending is going to be: on more suburban services or do you plan to have more O-Bahns? How do the economics of those systems compare? Can you give us a short overview of those areas?

Mr Sandford—I can answer some of them and I will defer some to Mr Payze. In terms of TA being set up, we were set up in 1994 when the passenger transport act was proclaimed. TransAdelaide was set up basically as an operating company and the Passenger Transport Board was formed for the policy and regulatory functions of public transport generally in Adelaide. TransAdelaide sits in the same portfolio as the Department of Transport under the Minister for Transport, Arts and Urban Planning. In terms of the passenger journeys per day, I can provide that information to the committee in a further submission. The rail

passengers per annum number is about eight million in round figures but I would need to come back to the committee with some more specific detail about that.

CHAIR—What subsidy is applied to that section?

Mr Sandford—TransAdelaide operates under contract to the Passenger Transport Board, as do other private operators of the—

CHAIR—No, the rail component. To what extent is that subsidised?

Mr Sandford—I would have to defer that question to Mr Payze, because the funding comes through the Passenger Transport Board—

CHAIR—I see. Sorry to cut you off.

Mr Sandford—As I said, we operate under contract to the Passenger Transport Board and that sits within the portfolio of the minister for transport. So as with any private operator who operates public transport, we simply get paid to operate on a contractual basis. In terms of the question of O-Bahn infrastructure, I would defer that to Mr Payze for response.

Mr Payze—On the question of subsidy, can I take that on notice?

CHAIR—Certainly. Can you separate the rail component out if possible?

Mr Payze—Certainly.

CHAIR—As a subset of this inquiry, we want to look at the urban rail transport right across Australia.

Mr Payze—We can provide you with full figures on patronage by mode and then cost per mode and, if you like, the under- or over-recovery of those costs.

CHAIR—We would like any numbers on people to be expressed in passenger journeys.

Mr Payze—Could I just talk about any future O-Bahns, et cetera. This government has a policy to develop a 10-year investment plan for public passenger transport. The reviews have commenced, but it is fair to say that there has been no decision reached in respect of those reviews so it is inconclusive and I would not wish to—

CHAIR—Do you plan to expand suburban rail?

Mr Payze—I would not even wish to make a comment on that at this stage. We are looking at all modes—at their efficiency and the way in which they are integrated.

Mr PETER MORRIS—Mr Payze, I am looking at page 14 of your submission and your reference to the removal of cabotage on coastal shipping and so on. Your submission to me seems to be devoid of consideration of maritime policy. It seems to me there are two different policies operating in the state—one is a Port Adelaide base policy, about making Port Adelaide a hub port of Australia, and the other is a land policy, where appendix B of your submission says that only 18 per cent of land transport between Melbourne and Adelaide is by rail, so it is pretty well down the totem pole, contrary to what Mr Hallion was referring to earlier.

You refer to the removal of cabotage and argue all your cases in support of rail investment, but you make no reference at all to the impact of foreign shipping on land transport movements, which is quite substantial and growing, particularly between Sydney-Adelaide and Melbourne-Adelaide. Can you explain that? What I really need to see is some comparison of the container rates between those two ports and Adelaide by sea, by rail and by road, looking at volumes and in both directions. You cannot tell from this, so can you help us with something like that?

Mr Payze—I do not have the information in front of me to be able to do that. Can I provide that to the committee?

Mr PETER MORRIS—I certainly would like that because all we have here—

Mr Payze—We can give you comparative container rates between modes. The issue of cabotage of course is a Commonwealth government issue.

Mr PETER MORRIS—Yes, but in your opening remarks, you did not refer to cabotage. You mentioned true competition to road transport and domestic shipping so that rail can operate. You made no reference to foreign shipping.

Mr Payze—No, because it is unknown whether the cabotage will be lifted or not.

Mr PETER MORRIS—Isn't cabotage already under single voyage permits? There is a growing extensive use of foreign flagshipping with Third World seafarers to provide domestic transport.

Mr Payze—I am not aware of the implications of that to the port of Adelaide compared to the port of Melbourne, but we will have a look at providing the committee with the information.

Mr PETER MORRIS—What happens with the maritime policy? Is that another department? Does that operate independently to land transport?

Mr Payze—The port of Adelaide, as with other commercial ports in South Australia, operates as a corporation quite independent to the transport policy.

Mr PETER MORRIS—Which ministry makes the policy decisions in respect of the ports?

Mr Payze—The policy decision on pricing, et cetera?

Mr PETER MORRIS—Yes.

Mr Payze—The minister associated with the Ports Corporation.

Mr PETER MORRIS—Let us bring it right up-to-date. Currently, Adelaide is problem free in terms of what is happening in the ports in this country and Adelaide is probably benefiting from what is happening in the other ports in Australia. You can see that Port Adelaide has a major role to play. When South Australia is arguing its case for added investment, it is only 18 per cent of your land transport movement between Melbourne and Adelaide and it is well likely to be considerably less with the impact of foreign shipping, which is growing. I would like to be able to understand where this all fits into the overall perspective.

Mr Payze—Certainly, the rail component is only 18 per cent; the road component is 65 per cent. We would be looking to have a transfer of road to rail. I think the implications of domestic and international shipping are unknown at this point in time.

Mr PETER MORRIS—Yes, but they are known. They may be unknown to you. To help us, I am saying that we need to have that information—it is available, it is published.

CHAIR—How much of the remaining 17 per cent is sea freight and how much is airfreight?

Mr Payze—The sea freight is 16.4 per cent, both into and out of Adelaide. In terms of the out from this state, sea freight is 40 per cent, but that has a very significant single commodity component—to deal with wheat.

Mr PETER MORRIS—The problem for the committee is this: in your submission you are arguing for substantial increased investment in upgrading Melbourne-Adelaide rail to double what you have on rail from 18 per cent to 36 per cent of the land transport movement. It is impacted by the growing movement of that same container traffic by foreign shipping under existing policy. Melbourne itself is running a different policy. It wants more ships through the port, so it does not want ships coming round to Adelaide. Your ports minister wants more ships in Adelaide, so he is running in contradiction to that. And if you get what you want, if you can pull the price of moving containers between Melbourne down further—and make Melbourne a port of entry—you then undermine what the ports minister is trying to do. I am trying to understand whether there is collaboration on this, or is it just a competition between state departments?

Mr Hallion—I think the answer to that is quite simple: what we are actually looking for, from an industry perspective, is diversity of choice. We want to have a very strong and competitive port here that has frequent services. We want the very best in class in rail links that do allow for double stacking through to the east coast and to the north and to the west. We have the western corridor, of course. Also, sea transport can play an important role. So we are really looking for the diversity and the competition that will come between them.

Generally, sea transport is the cheapest mode, followed by rail and then by road. But you also have to look at the service price package between them. One of the reasons why road currently enjoys such a high market share on the corridor is because it basically has a nine-hour transit time compared with a 15-hour

transit time. To correct your earlier comment, we are talking about the potential of that corridor. Market shares can be quite high for rail if the right conditions and the right infrastructure are in place. In the end, we are really looking for competitive, world best transport linkages out of the state, whether they are to the east coast, the west or the north, or to international destinations. That is our ultimate objective.

Mr PETER MORRIS—Your submission says that the figure for line-linking Victoria is 18 per cent.

Mr Hallion—That is right. The current share is quite low because you have an uncompetitive transit time and you do not have double stacking. It is also an ideal overnight trucking route at present. The question really is: what is the potential for that under a first-class rail infrastructure? You have to look at other corridors to see that market shares can be quite high if you have the corridor and the service price package right for rail.

Mr PETER MORRIS—What I am saying is that the more you improve that, the more you weaken the opportunity for the port. I do not want to go any further. I just wanted to note that.

CHAIR—The Darwin component would be another factor, too, would it not? Some of the freight which is currently Adelaide based—sea freight—would be expected to go out through Darwin as well. Does that follow?

Mr Hallion—We do not expect that it will be a major impact on the port, nor does the Ports Corporation. We are looking at the opportunity for new freight opening up that currently is really not viable for those markets, particularly food products, which I mentioned earlier. We are looking at capturing domestic freight from road to the railway—there is no question about that—and new freight out of Adelaide—

CHAIR—Time sensitive stuff.

Mr Hallion—Yes. Time sensitive freight into South-East Asia, in particular.

Mr WILLIS—Mr Hallion, you said in your opening remarks that to facilitate double stacking you would need to increase the height clearance in four tunnels in the Adelaide Hills at a cost of \$30 million to \$50 million. Was that additional to the \$80 million that is mentioned at the top of appendix C on page 22 where it refers to \$80 million being needed to upgrade the eastern side of the Mount Lofty Ranges?

Mr Hallion—It is, yes. As I emphasised in my opening remarks, that is quite an old estimate, probably a mid-1980s estimate, that I quoted. It would not be an estimate that I would want the committee to rely on because we do not have later estimates of costs.

Mr WILLIS—You say in your submission on page 15 that the new owners of the *Overland* are going to actively promote it and fit it into international travel packages, et cetera, but there have been recent reports that the line is likely to close. The operator is going to be before us later this morning. What do you understand the position to be? How concerned are you about the potential closure and what are you doing in relation to it?

Mr Hallion—When the three services—the *Overland*, the *Ghan* and the *Indian Pacific*—were sold by the Commonwealth, we were obviously an interested party in that sale and had to do certain things to ensure the sale could proceed—legislation in the state, lease on land, et cetera. So we have an economic interest in the *Overland* and obviously also some interest in land that the GSR now lease from the state. In those processes we were obviously extremely keen to ensure that the services that were provided continue. We had some extensive discussions and negotiations with the Commonwealth on that at the time.

We are obviously aware of the concerns of the operator now about the track condition in Victoria in particular and the impact that it is having on the transit times and, therefore, the viability of that service. We keep in close contact with the operator over that.

Mr WILLIS—What do you understand the situation to be about its future viability?

Mr Hallion—That is a question that, given that the operators are coming on, you might want to address to the operators.

CHAIR—Thank you very much for your evidence today. Would you be good enough to let us have that additional information on the two matters?

Mr Payze—Yes, sure.

CHAIR—If you could let us have that in writing, we would be most grateful.

Resolved (on motion by **Mr Lindsay**):

That the committee accepts as evidence and authorises for publication the supplementary submission from the Rail 2000 Incorporated group, submission No. 47.01 to the inquiry into the role of rail in the national transport network.

[10.09 a.m.]

CARTER, Mr Mark Clayson, Chair and Executive Officer, Rail 2000 Incorporated, PO Box 8229, Adelaide Station Arcade, South Australia 5000

LANDER, Mr Frank James, Project Officer, Rail 2000 Incorporated, PO Box 8229, Adelaide Station Arcade, South Australia 5000

CHAIR—I welcome representatives of Rail 2000 Incorporated. Before we start—I do not know if you heard the opening statement—I wish to make two cautions. The first is that this inquiry is not a lobby mechanism; it is an advisory body to the Commonwealth parliament. We do not particularly recommend any one project or projects either to the Commonwealth or to the states. There is a bit of a misunderstanding of the role of the committee on the part of some people.

You would be aware that, although you are not under oath, these are proceedings of the Commonwealth parliament and the same respect attaches to these proceedings as would attach to any other activity of the parliament. Mr Carter, would you give us a five-minute overview of your submission and then we will go to questions.

Mr Carter—Rail 2000 thanks the committee for allowing it to appear today. We hope that we will be able to assist the committee in its deliberations. As a result of a number of Rail 2000 members raising their concerns with me over the last week or so, I have provided the committee with a short supplementary submission relating to the disposal and hoarding of assets by the rail industry. Since making our original submission, the membership of Rail 2000 has grown considerably and now stands at approximately 250, including over 75 corporate members.

While our submission still stands, Rail 2000 acknowledges that recent developments within the rail industry have started to address some of the areas of our concern. If we take the key issues contained in the heads of agreement signed at the recent rail summit, we can see that there has been a good deal of progress in a number of areas. The formation of the Australian Rail Track Corporation takes us in the direction of a unified interstate rail network for the purposes of access and investment for the first time. There are still concerns within the industry as to how the relationship between, as an example, the ARTC and the Rail Access Corporation in New South Wales will develop, but it can be said that this is a good start.

The Maunsell report into the harmonisation of safety and technical standards was completed in record time and has been generally well received in the industry. However, the issue of investigating the competitive neutrality issues affecting road, rail and sea appear not to have progressed very far at this stage and, once again, may have ended up in the too-hard basket.

From Rail 2000's point of view, it is disappointing that the old chestnuts of deficits and poor efficiency within the rail industry continue to be dragged up and quoted out of context for political purposes. The main culprit here appears to be the rail section of the federal Department of Transport and Regional Development. The department cannot seem to get around the fact that in the last decade thousands of jobs have been shed in the rail industry and that there have been significant productivity improvements.

Previously, loss making and inefficient government rail systems have been reduced from an annual deficit of over \$4 billion to less than \$1 billion.

Since 1988, the government rail systems have increased their freight task by over 37 per cent. At the same time, over 38,000 jobs have been shed and employer productivity has increased by 200 per cent. Most freight operations are profitable or close to profitable, and virtually all of the \$700 million rail deficit is attributable to urban and regional passenger services.

The committee is no doubt getting somewhat used to the pleas for more cash for the upgrading of infrastructure, but I would like to highlight one recent example that we feel puts the current desperate situation into context. In his evidence to the committee, Mr John McMillan from the Victorian Department of Infrastructure highlighted the need for \$246 million to bring the Victorian interstate standard gauge network up to a fit-for-purpose standard. I assume the standard to be 110 kilometres an hour running at 21 tonne axle load. Mr McMillan also said that he understood that the ARTC would have only \$36 million to spend on the entire interstate network this coming financial year. This represents a shortfall of \$210 million in just one state. Put simply, governments cannot expect an industry to perform at world's best practice if it does not have world's best infrastructure upon which to perform.

Having said this, we believe that some positive signs are already emerging. We understand that the Western Australian government and the ARTC are already talking about joint funding for the upgrading of the Kalgoorlie to Perth section with concrete sleepers, hopefully in the not too distant future.

In conclusion, it appears that rail reform is progressing at a breakneck pace. However, we believe that this is as much if not more to do with the industry's own vision and its tenacity to survive, rather than the policy settings and support we are currently seeing handed down by governments. We acknowledge that this is changing. We believe that this committee has an important role in debunking many of the myths surrounding the rail industry and ensuring that the claims of the rail industry are given a fairer hearing in the future.

CHAIR—Mr Carter, what do you see as the major role for the Commonwealth in this issue?

Mr Carter—The Commonwealth government has to show leadership and, to some extent, I think that has been lacking in the past. One of the main areas that Rail 2000 has promoted is this need for an integrated land transport strategy. This issue was highlighted by the National Transport Planning Taskforce three or four years ago now. Although we have seen the establishment of the National Transport Council, at this stage from our point of view it does not appear that there has been a great deal of progress in formulating a way of assessing infrastructure investments on an equitable basis. I think that is one of the major areas in which the Commonwealth government can assist.

CHAIR—In what way should the Commonwealth do that? We have received two lots of evidence. One lot talks about the incremental approach, perhaps identifying the 20 or 30 worst hot spots around Australia—passing loops and the like, the Adelaide Hills and so on—and fixing those to allow the existing rail system to at least start to compete. The other lot says that we need the big bang approach to bring the whole rail system up to a competitive level over, say, five years. What do you say to that comment and

where do you see the worst hot spots?

Mr Carter—It needs to be a mixture of both of those: you need the big bang approach and you need this incremental approach. I think you are actually seeing, with the formation of the ARTC and the examples that I have just given—

CHAIR—But the ARTC can only be as effective as how much money can be put into the track.

Mr Carter—And certainly the amount of funding that the ARTC will be getting would suggest the incremental approach. It does not have enough at its disposal at this stage for a big bang approach; it certainly does have enough for an incremental upgrading of the infrastructure over the next four or five years. Therefore, there is the need for some catch-up funding. Rail 2000 has made the point on numerous occasions that no funding has been forthcoming for interstate rail upgrading for the last three years and, generally speaking, other than the One Nation funding for rail infrastructure, there has been no significant capital investment in the interstate network for the last decade or more.

CHAIR—You state in your submission that the present government policies encourage people to use road transport. What is the basis of that statement?

Mr Carter—It is a combination of what Rail 2000 perceives to be the hidden subsidies that the road industry enjoys and of the substandard infrastructure in that transit times cannot be reached on the rail infrastructure. Going back to your previous question about where the hot spots are, the Victorian section of the Melbourne-Adelaide corridor is one of the hot spots where operators are down to 40 or 50 kilometres an hour now. One classic example of that is the Patricks train, which I do not think is running at the moment. They use one set of rolling stock and one set of locomotives and they run three days a week. The current infrastructure is fine for that and they can use their assets to the maximum. But if they want to run four or five trains a week, then they start getting into problems of asset utilisation on that corridor.

Mr HARDGRAVE—The rail infrastructure in this country is just a jolly great big mess, isn't it?

Mr Carter—I would not argue with that statement at all.

Mr HARDGRAVE—And I guess it takes a bit of careful planning to fix that up. I submit that perhaps one reason the One Nation rail approach fell down a hole was that, while the funding might have been there, the fundamentals of sorting out the various parochial patches, the signalling problems and the competing interests of bureaucracies in different states had not been sorted out before the money was made available.

Mr Carter—That is certainly correct. From some of the anecdotal evidence that Rail 2000 has received over the last few years, that would be one reason. Another reason with One Nation was that it caught the rail authorities on the hop. They were not quite expecting such a big Christmas present.

Mr HARDGRAVE—Again the fundamentals of proper planning and of working out how the modes of transport work together or perhaps do not work together—all of those things were not worked out before

funding was made available.

Mr Carter—You could have spent the One Nation funding maybe three times over on the rail network at that time. It certainly needed the money. But I think internally within the rail industry, it caught the industry on the hop. They did not have the projects on the shelf. They were told, ‘Here, take this money, spend it.’ They had to dust off some old projects or just had to dream up ones pretty quickly.

Mr HARDGRAVE—In the case of the Commonwealth funded link to the port of Brisbane, it is still barely being utilised now. The money was spent, the track was put down, the bridges were put in—the whole lot—but it has only been in recent months that we have started to see a train running on it because the Queensland government had to sort out the signalling requirements.

Mr Carter—I am aware of the problems they had there. If you excuse the pun, maybe they missed the boat there. If it had been built, completed and operating at the time that the funding was there, it may have been a lot more successful than it is now. Logistics patterns have changed within that time. It is a good investment in the future, but that money may have been able to have been allocated somewhere else where it could have been of more use.

Mr HARDGRAVE—I think your submission has had more than a bit of a shunt at federal governments. I can understand where you are coming from, from the rail industry’s point of view, because you see the level playing field tipped very strongly to road infrastructure. On page 9 of your submission you float the name ‘the son of One Nation’. I submit that the name itself will never get up because the terminology ‘One Nation’ is being prostituted currently by a person who is a member of the House of Representatives. But I would have thought that the idea of spending more money—if you like, throwing more good money down a bad hole until we have got proper planning, until we have proper understanding of the various modes and, quite frankly, until this inquiry is completed and we give government some direction—would be a stupid idea, would it not?

Mr Carter—I do not think that we have that time up our sleeve. I think the urgency is there; it is now. We have now wasted three years because it is three years since the bulk of the One Nation program was completed with the standardisation of Adelaide to Melbourne. Since then, nothing has happened.

Mr HARDGRAVE—But we have probably wasted 40 years of not putting money into rail too, have we not?

Mr Carter—But I think we are now at a critical point in the development of the rail industry.

CHAIR—Why do you say that? Are you saying that we are reaching a point where the rail system becomes irretrievable if there is not a certain amount of money spent?

Mr Carter—Yes, that is certainly a feeling that I have on certain corridors. I wish to hark back to the Melbourne-Adelaide corridor and I mention Melbourne to Albury as well. I have had quite a number of unsolicited phone calls in the last couple of weeks—because of the comments I have been making in the media—from parties that have been associated in one way with track infrastructure projects, upgrading or

studies—

CHAIR—How long do you think government has got?

Mr Carter—Two years. But I think one thing will change that—so perhaps I should qualify that—and that is the unknown quantity of the involvement of private operators or private owners of the rail system. There is a completely different culture in America—

CHAIR—But that is not going to fix the track section of it, is it?

Mr Carter—With some of the expertise that we will see coming into the rail industry and the imperatives that drive some of these new owners, I think we will see the direction in which the industry has to move and the pressure on government will become much more finetuned.

Mr HARDGRAVE—But isn't it still another example of the overall problem? Every time the federal government, say, puts money into building a standard gauge line into Sydney to the port of Botany, the New South Wales government railways, city trains or whatever they call them, say, 'You beaut! There's another track. We'll now run a suburban red rattler on the thing.' In other words, the national imperative falls apart for peak hour traffic purposes. Trains are queuing up at Campbelltown and places like that, freight is not getting through and priorities fall aside from a freight export point of view because of urban rail needs. Again, no matter what a private entrepreneur may or may not aspire to build, it is linkages into cities like Sydney and Melbourne, and perhaps even Brisbane as well, and Adelaide—the whole lot—which are going to fall down a big hole unless everybody has an agreed set of plans and priorities.

Mr Carter—I think the power of the lobby comes in here. What I am saying is, as far as these new operators are concerned—and I think we have seen it very clearly in the last three or four weeks—Rail 2000 has been highlighting the issue of the inadequacy of the Melbourne-Adelaide corridor for the last three years. We have basically got nowhere. People with some knowledge of the industry know what we are talking about. We get a little bit of media coverage, but generally we feel like we have been banging our heads against a brickwall.

To use a practical example: someone like John Finnin from Great Southern Railway comes along and, using a very emotive ploy, says he is going to withdraw the *Overland*. All of a sudden, everybody is talking about Melbourne to Adelaide. I think you are going to see that. The mistakes of the past—the examples that you have just given—are still going to happen, but they are going to be resolved a hell of a lot more quickly.

Mr HARDGRAVE—Obviously, the role of this inquiry is setting the set of circumstances and plans so that everyone can understand where we should be going. Is that right?

Mr Carter—I think so. The role of this inquiry, as I said in my opening statement, is to debunk some of the myths about the rail industry, and it is to focus the attention of the community, the industry and government to say that rail is here and, despite my earlier pessimistic remarks, rail is here to stay. As I say, this committee has a vital role to play in highlighting—not lobbying—and focusing on some of these key areas.

Mr WILLIS—Mr Carter, you gave evidence as to the welter of evidence before the committee about the deficiency of funding for the rail infrastructure. Most people—and I think this is true of yourself—are fairly shy in saying where the money should be coming from to fix the problem. Where do you see it coming from?

Mr Carter—In the first instance, my feeling is that the Commonwealth has almost a moral obligation to redress the funding imbalance of the past. Unless we have this catch-up funding it is going to be a very difficult period for the rail industry. With private operators, the culture of the rail industry is changing, and probably over the next 10 to 20 years we will move to a point where most rail infrastructure funding comes from the private sector, but at this stage that is not feasible. Again, anecdotal evidence that has been provided to Rail 2000 from various investment houses is basically saying, ‘Why would anyone want to invest in such a clapped-out system in the first place when there is such a degree of catch-up to be made?’

Mr WILLIS—Do you see any role for access charging regimes to incorporate a component for track development? Do you think the access charging regime should basically just be there to cover the operating and maintenance costs of the lines?

Mr Carter—At this stage, that would almost be seen to be a penalty. As I said previously, there is an obligation for some form of catch-up funding. Ultimately, you are going to have to progress to a stage where those track access fees incorporate a charge for track upgrading, but that should really come from commercial access fees—it should not be seen as an add-on charge. We then start to formulate a complex equation where you include how the road industry is treated as well. The road industry is not treated in that manner, so why should the rail industry be treated that way?

Mr WILLIS—You are suggesting that the road industry should be treated in that manner by a move to mass distance charging which would charge large, articulated trucks much more than they are currently charged for use of the infrastructure. In those circumstances, would you therefore see some scope for using the rail access charge to cover the infrastructure costs of rail development?

Mr Carter—Frank has done a lot of work on that issue, and I will ask him to comment on that.

Mr Lander—We helped the Australasian Railway Association prepare their submission last year and, as a result of that, we did a lot of work on this. We reviewed the National Road Transport Commission—NRTC—cost modelling. We concluded that the basic cost modelling is very sound but that it is deficient in its application in such a way that there is a massive cross-subsidy between lighter, short-distance road vehicles across to the heavy, articulated distance vehicles which are competing against road.

On page 15 of our submission I have indicated that that is really quite significant in the total cost structure of transport. For example, if you look at B-doubles, which are the main competitors for rail on the interstate corridors, just on the road or pavement damage costs we are looking at \$4 to \$5 per tonne. That is 10 per cent of the innercity road cost. That is very significant, and rail cannot compete effectively when its opposition is getting this massive cross-subsidy.

If road were required to pay its full costs, then I guess transport costs would perhaps rise a bit, but

rail would then be in a position to fund its own development costs. But, as Mark has been saying, when there is such a massive backlog in development now, rail is struggling to even compete on an operating cost basis against road when it has such a deficient infrastructure in place. If there were to be funding made available to catch up, then rail would be in a position to compete more effectively, and both could then start to fund their own development costs.

CHAIR—Do you have a figure on that?

Mr Lander—On which one in particular?

CHAIR—The catch-up costs.

Mr Lander—A lot of studies have been done on that. It is really the north-south corridor. I have not got one off the top of my head.

Mr WILLIS—I think the BTEC figure is about \$3 billion for the catch-up.

Mr Lander—Yes. The national transport planning task force came up with figures of that order, too.

Mr Carter—That \$3.2 billion was over 20 years.

Mr WILLIS—In your view, with the cross-subsidy that there currently is between large trucks and smaller trucks—with the smaller trucks paying more than they should and the larger trucks paying less—if you move to a mass distance charging regime for trucks, does that mean the smaller trucks would have a lesser charge? That is as I understand it.

Mr Lander—I think so, yes.

Mr WILLIS—Well, in that situation, why do you then go on to say that you think there is real scope for short line rail development? It seems to me that if you move to a mass distance charging regime, that would make it more difficult for short line rail to operate, because the costs of competing trucks would have been reduced by your mass distance charging.

Mr Lander—I see the point of your question. However, the issue is not how far the individual haul goes but how far the truck goes over a year. For a short haul of 100 or 200 kilometres, a truck would make, say, 400 or 500 such trips per year and would clock up 200,000 kilometres. It would still do the same distance, whether it is going backwards and forwards on a short-haul shuttle or whether it is going backwards and forwards on a long distance Melbourne trip.

The short-haul trucks that I am talking about are the ones that merely supply feeder services around capital cities and might do, say, 20,000 to 30,000 kilometres per annum. It is not a question of short line versus interstate; it is a question of how far the truck goes in a year that is the source of the problem.

Mr WILLIS—It seems to me that it would have to be a pretty intensive business for that argument to

be maintained.

Mr Lander—What do you mean there?

Mr WILLIS—If the truck is going to be continuously working backwards and forwards to do a lot of distance, it is going to have to have an awful lot of business on that short line. It is not just going to be something that happens occasionally, which is what would happen on most short line traffics, one would assume.

Mr Lander—I am thinking of a case that we have been looking at very recently for a client—that is, the Riverland traffic. For a large portion of the approximately nine months or so, there is just that—that very intensive backwards and forwards traffic. I was very closely involved with a study a few years ago of the Mount Gambier to Melbourne-Mount Gambier to Adelaide corridor, and they do exactly that: they go there and back in a day, whereas on a Melbourne to Adelaide corridor it tends to be there one day and back the following night. That is the way it tends to go. It is the distance they travel over a year that is the critical issue, not the length of any individual haul.

Mr Carter—I suggest that it may be worth the committee's time to contact the Silverton Tramway Co. Ltd. I believe they are a private rail operator with headquarters in Melbourne. They currently shunt the ore sidings at Broken Hill but are looking at breaking into the short line rail business. I believe they have already done some work on the competition between trucks and their potential for short-line operations. It might be worth putting that scenario to them.

Mr McARTHUR—I want to follow on from a couple of the subjects you have been talking about. This access problem is providing some dilemma for the committee. Could you give us your view on the access compared with an integrated system? We see examples of that in Tasmania and in South Australia where the operator owns the above rail and below rail rolling stock and track versus this whole debate on access. Whose side are you on and what is your view on access in general terms? Are there different scenarios in Australia where in some cases access to the corporation would be a good thing but in others, such as short line, it would be better to own the whole operation?

Mr Carter—I do not think we are on any one side in this. What Rail 2000 wants to see is what is best for the rail industry, what is going to get the most freight and, to some extent, what is going to get passengers back on to the rail system, whichever model. I think what we are seeing develop in Australia is a unique model, and quite rightly so. The model that seems to be developing is where you have the main interstate rail highway, having more or less total open access, at this stage controlled by the Commonwealth government. At this stage I think it would be very difficult to run that any other way.

Mr McARTHUR—Do they have free access similar to the road network, where they have got comparatively free access?

Mr Carter—I do not think the rail industry should be given anything that the road industry does not have, and vice versa. Certainly, free access has been suggested for certain corridors, such as Melbourne to Brisbane. Ultimately, that is going to have to be a decision for government. I am uncomfortable with the idea. It

is a real catch-22 situation.

I am well aware of Mr Mason's comments about Melbourne, Sydney, Brisbane and that he needs zero access fees to make that viable for him, but I feel uncomfortable with that. If you follow Mr Mason's logic, there will not be any traffic on that corridor unless we have zero access fees, so it is a real catch-22 situation.

Mr McARTHUR—Can you expand on your net tonne kilometres basis for the freight haulage task, comparing road with long haul rail, for the committee?

Mr Carter—This is the fact that it is often said that rail has only about 20 per cent of the market. But if you look at net tonne kilometres—I am not quite sure of the exact figures—certainly rail's share of the interstate freight task is considerably greater than that of road.

Mr McARTHUR—Is that definition of 'net tonne kilometres' an international comparison, or is it one that you or some of your friends have thought up?

Mr Carter—Frank, would you like to comment on that?

Mr Lander—Yes, net tonne kilometres is the worldwide accepted true measure of a transport task. If you cart 10 tonnes for one kilometre, it is 10 net tonne kilometres. If you cart one tonne for 10 kilometres, it is still 10 net tonne kilometres. That is the true measure of freight task. The road industry quite rightly states that road has approximately 70 per cent of the tonnes carried in Australia. That is correct. But when you look at the true task, which is net tonne kilometres, rail is actually considerably greater than road. In other words, road has a lot of the short-haul tonnes around capital cities but not so much of the long distance or the heavy tonnes over longer hauls.

Mr McARTHUR—Are you saying that that definition would be fairly crucial in this committee's deliberations on the relativity of rail versus road, rather than a straight-out comparison of tonnes moved?

Mr Lander—Yes, very much so, because rail, as we know, is essentially a longer distance hauler compared to road. The true measure of freight task is tonnes times kilometres, not just tonnes.

Mr McARTHUR—Are you re-emphasising that that is done in Europe and in the USA to draw that comparison, or have the road haulers in those other countries managed to put their case without that consideration?

Mr Lander—In my reading of freight studies overseas, I do see both measures because both are a legitimate measure—that is, tonnes and tonnes times kilometres. However, it is generally accepted that the true full measure of freight task is tonnes times kilometres.

Mr Carter—To put it into context, from time to time it has been said, 'What is all the fuss about the interstate rail network? It only carries 10 million tonnes.' In fact it carries a lot more because it is used by intrastate traffic in most states.

Mr PETER MORRIS—The most important element in regard to playing with those figures is the revenue component that it forms of the states' systems. It is a very small proportion. You ignore all of that in your presentation. It is not about road transport; it is about what proportion of the revenue of the operator is derived from interstate traffic, and it is very little. That is the case historically. How do you address that?

Mr Carter—It is a case of how the community addresses it and the value to the community of that business.

Mr PETER MORRIS—No, let us not get around the question. The question relates to what proportion of revenue was derived by the state operators. They did not invest in interstate services because they were not a worthwhile proportion of their traffic. That really is the underlying reason why states have allowed their interstate networks to drift into neglect. How are you going to address that?

Mr Carter—That is being addressed by the ARTC.

Mr PETER MORRIS—So the real reason then is to do with the revenue bases in the past. If you take the other part—about it being the choice between road and rail—the reality is that much of the transport task falls naturally to road or to rail, depending upon the length of journey or the nature of cargo, and you do not address that in your submission.

Mr Carter—I would dispute that. I think that is changing. In the UK, they have shown that it is changing.

Mr PETER MORRIS—The UK is a postage stamp compared to the Australian system.

Mr Carter—But it still has a considerable freight task.

Mr PETER MORRIS—That is a very long bow you are drawing there.

Mr Lander—Can I make a comment on that, please? I can see what you are getting at. Your point is why should a state invest in its interstate network.

Mr PETER MORRIS—No, why it has not invested.

Mr Lander—My answer to that is that it has not invested in its interstate road network either. The interstate road network receives federal funding.

Mr PETER MORRIS—The answer to that is the pressure of public opinion and the millions of motorists who move interstate.

Mr Lander—I accept that the private motorists are a massive lobby. I do accept that. However, the private motorists—

Mr PETER MORRIS—South Australia has been a leader in that. Mr Chair, I do not want to carry

on with questions. I am out of order.

Mr Lander—Can I give my comment on that, Mr Chair?

CHAIR—Yes, we might finish on that point.

Mr Lander—I accept Mr Morris's view that the motorists are lobbying for these interstate roads. However, I suggest the private motorists are also lobbying to get trucks off the roads. If we were to survey the general public on whether they want more trucks and bigger trucks on the road or whether they want those trucks on rail, I suggest about 90 per cent would say, 'Yes, we want those trucks on rail, and we think the trucks should pay their fair share in such a way that rail would be made more competitive.' I suggest that is an answer.

Mr Carter—Can I go back to Mr McArthur's question about access? I just want to clarify our position on that. I have outlined where we are coming from with regard to the interstate network. With the state based intrastate systems, I think we are seeing a move towards an integrated railway, and that is probably the logical way to go with those systems.

What we have seen develop in Australia that has not developed elsewhere is at least some sort of caveat on those integrated systems for open access for other operators. To some extent I think that is a historical thing where, in the past, government operators have gone in and ripped up the tracks. We do not really want to see that happening with private operators buying up the assets, which have previously been owned by the taxpayer, and ripping those up for salvage value.

Mr McDOUGALL—You have talked a bit about the interstate line. Is it the role of the Commonwealth to set up a national grid, to take it away from the states and be responsible for the funding and the total access to that national grid?

Mr Carter—As is developing now?

Mr McDOUGALL—Is it developing now?

Mr Carter—With the Australian Rail Track Corporation? We are talking about the interstate rail network.

Mr McDOUGALL—Yes.

Mr Carter—It is, quite clearly.

CHAIR—The evidence we have received would dispute that. New South Wales has a totally different way of handling the agenda from, say, some of the other states.

Mr Carter—This is quite true, but we have to start somewhere.

CHAIR—Can you go to the specifics of Mr McDougall's question.

Mr McDOUGALL—What I am getting at is that you are saying it is happening, the evidence we have is that it is not happening, and the evidence also suggests that it probably will not happen if New South Wales gets what it wants. Are you saying the Commonwealth should take control of a national grid, like they have a national highway, develop a funding structure and get on with the job?

Mr Carter—Absolutely.

Mr McDOUGALL—Why not give that job to private enterprise? If private enterprise want to build Melbourne to Darwin, why doesn't private enterprise build the national grid? That is the national freight task, that is where everybody indicates the freight component is—there is some doubt as to how much freight component there is there. If it is that viable, why not let private enterprise do it?

Mr Carter—It would be viable. There are two issues there. One is the years of neglect—I am sorry to keep harping on it.

CHAIR—The catch-up factor.

Mr Carter—The catch-up factor. The second is that at this stage the differences of opinion from the New South Wales government is holding the process up. I believe that within five years you will see a privately owned and operated interstate rail highway between Brisbane and Perth. It will happen. We are at an incremental stage in that process. We cannot go in one jump from the system we have had previously to a fully privately owned and operated interstate rail highway because of these differences of opinion in Western Australia and New South Wales.

From our point of view, the decision to incorporate the Victorian track as part of the ARTC was a decision that should have been made three years ago. It would not have been a difficult decision to make. It was a quite logical decision in Victoria. The standard gauge track that the Victorian government owned was predominantly used by interstate freight rather than intrastate freight. In fact, the Victorian government's view—which is quite understandable—was, 'Why should we upgrade this? It doesn't benefit Victoria as a state.'

In New South Wales you have the reverse of that. Certainly between Sydney and Albury the interstate track carries more tonnage from intrastate freight than it does from interstate freight. Likewise, on the north coast to Brisbane, certainly on the southern end, there is a significant amount of intrastate freight in New South Wales. It is understandable that they are reluctant to hand it over at this stage, but I believe that in the next few years they will probably be made an offer they cannot refuse as a form of investment funding for handing over that track.

Mr McDOUGALL—In relation to who owns and operates, you referred to some evidence given by Mr Mason. Mr Mason also gave some evidence that indicated that National Rail is used by the private operators for access, particularly through to Brisbane, because they carry the loss rather than the private operators carry the loss. When we get into discussion about access pricing, he said we should have nil access

pricing in that line. He is expecting that the National Rail Corporation carry that loss, and the private operators to be able to have access on that line simply as a freight forwarding system rather than a freight operating system. What do you believe the Commonwealth's role should be with National Rail in the future? Should it keep funding an operation that carries private operators' freight with public subsidy or should National Rail become privatised and left to stand on its own?

Mr Carter—I think at this stage National Rail will have to be privatised; there is no question about it. It is certainly the Commonwealth's intention that that be the case. Given the way the railway industry is developing here in Australia and worldwide, there is no reason why National Rail should not be sold off. Given some of the problems that National Rail is facing at present with declining market share, I would imagine that the Commonwealth would do that sooner rather than later.

Mr WAKELIN—You mentioned the power of the lobby—not you people as a lobby group but the power of the lobby generally. You make the point that you believe road has been hugely successful over the last 10 or 15 years probably at the expense of rail. Could you make a general comment about the power of the lobby, particularly in your comments about the Melbourne-Adelaide line. It seemed to me that you are a great advocate for privatisation for no other reason than the power of the lobby.

Mr Carter—That would not be the only reason. I am just saying it is very powerful.

Mr WAKELIN—Therefore, road has proven to be in your opinion immensely more successful than rail.

Mr Carter—I think so.

Mr WAKELIN—You might give us a couple of reasons for that.

Mr Carter—I think the road industry does have a very well-organised lobby.

Mr WAKELIN—Is it also the fact that the government tends to own these facilities and therefore these organisations have been pushed off to one side?

Mr Carter—Certainly that has been the case and I still think that is the case—the various rail systems are very timid about speaking out.

Mr WAKELIN—Thank you very much.

CHAIR—Thank you very much, Mr Carter and Mr Lander, for your evidence. It has been very kind of you to put that submission together and appear before us today. If we have any further questions, I trust you will respond to those in writing.

Mr Carter—That will not be a problem.

Proceedings suspended from 10.53 a.m. to 11.11 a.m.

[11.11 a.m.]

FINNIN, Mr John, Chief Executive Officer, Great Southern Railway, Burbridge Road, Mile End, South Australia

CHAIR—Welcome. As you are probably aware, although evidence is not taken on oath, these are proceedings of the federal parliament and the same respect attaches to those as would attach to the parliament. Thank you for your submission. Could you give us five-minute overview of your submission before we move on to questions?

Mr Finnin—The Great Southern Railway sees itself very much as the fledgling in the industry in that we are the first privatised transcontinental railway in Australia. As such, we do not see ourselves in the railway business and we do not see ourselves in the transportation business; we very much see ourselves in the tourism business—both domestic and international—although we operate in a highly regulated environment such as rail.

In operating in that environment, Great Southern Railway has a number of concerns. One is the regulatory environment itself in that access to infrastructure, both in terms of track and terminal facilities at our main ports of call, is highly regulated. Our second concern is the level of track access charges and the environment in which those track access charges are levied, in that we have several track access agreements with the states which we will either novate or assign to the ARTC come 1 July this year. The third concern is the partnership between government and the private sector in ensuring that the rail industry has a viable future. In essence, that is an overview of our submission.

CHAIR—We had other questions that we wanted to ask you, but one thing disturbed me in your overview. If I heard you correctly, you inferred that you are over-regulated at the terminals. Are you talking about the storage of rolling stock or the railways stations? What are you referring to?

Mr Finnin—For instance, as I said, we are in the tourism business and the Sydney terminal is our main port of call. Major tourism decisions in this country are made in Sydney. At the moment, the people with whom we have to deal at the Sydney terminal are several: the RSA, the State Rail Authority, Countrylink and so on. Our passengers look to us; they see us as being responsible for providing those facilities, which we are not, because we are dependent on third party providers.

CHAIR—Are you saying that they are not up to scratch or you are being messed around, or what?

Mr Finnin—I do not think that we are being messed around, but they are certainly not up to scratch. For when you develop the Sydney-Canberra fast rail link, when you develop the *Orient Express* into Sydney and ourselves, they are certainly not up to international standards with things like luggage handling facilities, passenger waiting rooms and so on and so forth. Aboard Great Southern a passenger pays something like \$1,200 first class to travel from Sydney to Perth, and yet they have to struggle with their bags in the same way that backpackers and people paying a third of the price have to. That is simply unacceptable to people like us.

CHAIR—I see.

Mr Finnin—Until we can control infrastructure we are really not truly privatised.

Mr HARDGRAVE—They are not allowing you to build your own passenger facilities at the Sydney terminal?

Mr Finnin—It is impossible; we do not own the terminal.

Mr HARDGRAVE—So they will not let you?

Mr Finnin—It is not a question of not letting us. The facilities simply are not there.

Mr HARDGRAVE—Would you take up the option of building your own facilities? Qantas and Ansett provide various clubs and lounges for particular types of passengers. Wouldn't you be able to do the same thing?

Mr Finnin—We are looking at checking in our passengers at another facility at the moment. But we do not have the funds to create our own terminal, if that is what you are suggesting.

Mr HARDGRAVE—No, I am not suggesting your own terminal but, given the platform—the basis on which the terminal exists—would you be able to build something within the existing infrastructure with what is at Central Station in Sydney? Would you be able to do that?

Mr Finnin—No.

CHAIR—What are our railway stations like by international standards?

Mr Finnin—Dreadful.

CHAIR—Does that have a debilitating effect on tourism in general?

Mr Finnin—Absolutely; 25 per cent of our business relies entirely on international tourism business. The two major gateways in Australia are Sydney and Melbourne. If you look at Sydney Central and you look at Spencer Street, the facilities available there are very, very poor. The difficulty that we have is that people see us as privatised and, as such, they see us as responsible for being able to provide these sorts of facilities; and we are not. We are currently trying to investigate the possibility of developing a first-class lounge at the East Perth rail terminal. That is proving exceptionally difficult because of the space constraints they have and because of the age of the terminals. They are quite old; they were built in another era. With the resurgence in rail travel, you have to be able to provide facilities for passengers that are world class. At the moment, you arrive in Keswick on a Friday night and you cannot even get a taxi.

Mr LINDSAY—On the other hand, would you say that facilities, say, at Roma Street in Brisbane, are very good now?

Mr Finnin—We do not go into Brisbane.

CHAIR—You have not seen Roma Street?

Mr Finnin—No.

Mr LINDSAY—Even Bundaberg, Mr Chairman.

CHAIR—It is very historic.

Mr Finnin—Do not underestimate the importance of tourism in the rail industry. It is very significant.

CHAIR—I do not want to get bogged down with this, but I think it is a very important issue; that access is not just access to tracks, it is access to the facilities that get people into the trains that sit on the tracks.

Mr Finnin—Very much so.

CHAIR—Was part of your arrangement with track access that for passengers there would be adequate terminal facilities? What was the nature of your agreement with the states?

Mr Finnin—The nature of our agreement is purely on track and access to different track paths, nothing more.

CHAIR—There must have been some mention made of railway stations and how they would be utilised.

Mr Finnin—There is, but it is highly regulated. Little is offered except that we have use of particular platforms at particular times. If the *Indian Pacific* is late leaving Sydney, we are held over while intercity traffic goes first. So we may have a train full of people held there for maybe two or three hours before we are allowed to leave, because the State Rail Authority have access over those tracks.

Mr HARDGRAVE—But that is just a common problem with anything to do with anything other than the city traffic in Sydney—the freight and the whole lot. So what you are saying is that there is a great potential in tourism on rail, but the potential is being stifled by fiefdoms.

Mr Finnin—That is part of it, certainly.

Mr HARDGRAVE—Was it a lack of vision?

Mr Finnin—I think it is a lot of things, to be honest. I think it is a lack of vision, an over-regulated environment, competing interests within the industry itself and a lack of one body that is specifically responsible.

Mr HARDGRAVE—In all of Australia?

Mr Finnin—In all of Australia. Whether that is a state body or a Commonwealth issue is another fight for another day. All people like us are looking for is certainty and at the moment we do not have that.

Mr HARDGRAVE—It actually goes to the heart of so many of the central arguments of this inquiry because the whole lack of coordination, lack of planning and lack of goal setting perhaps in railways in general in Australia seems to me to be a very important part of this inquiry.

Mr Finnin—Great Southern keeps being referred to as a privatised rail industry when we are, given track access charges, very much on a take it or leave it basis—‘There is the track access charge and that is the path you can have. Take it or leave it.’ That is simply unacceptable if people like us are to remain viable and if other sectors of the rail industry are to continue to be privatised.

Mr HARDGRAVE—What is it worth? What is the international and domestic tourism on rail worth and is it growing?

Mr Finnin—I don’t know. We are talking here about the biggest industry in human history. It employs 27 million people worldwide. In terms of GDP if it were a country, it would be the fourth largest country in the world behind the United States, Japan and Germany. It is one of Australia’s largest foreign exchange earners.

Mr HARDGRAVE—That is a big claim. What sorts of numbers are you talking about?

Mr Finnin—Great Southern Railway is a very small player in that, but 25 per cent of our business is dependent upon international tourism. Thirty per cent of our owners are foreign so our directors and stakeholders have invested in this company because they believe it has a viable future.

CHAIR—Notwithstanding the difficulties, is there a certain amount of mystique about Australian railways like the *Ghan*, the *Indian Pacific* and this new *Orient Express* idea?

Mr Finnin—Yes, very much so.

CHAIR—There is enough potential there to attract—

Mr Finnin—Enormous potential. As I said, 30 per cent of our shareholder base is foreign. They are confident of the potential not only of Great Southern Railway but of other rail entities in Australia for sure.

Mr McDOUGALL—On the access thing because it is really bugging me, you have done a deal with New South Wales access corporation for operating within New South Wales, not with the national access corporation but with New South Wales; correct?

Mr Finnin—Yes.

Mr McDOUGALL—Have you got a common agreement between the states? Who is the worst player in the access corporation?

Mr Finnin—There is no worst player as such, they are all bad.

Mr McDOUGALL—And there is no common ground between them?

Mr Finnin—No, every track access agreement we have is different in terms of charges and conditions precedent. It entirely depends on whom you are dealing with and what the historical nature of the agreement has been with Australian National before it was privatised. That is not to say we have not negotiated what we believe to be some attractive track access charges with certain providers. It is also not to say that we have not got track access agreements and changes within them to our benefit, but there is an awful long way to go.

Mr McDOUGALL—When you did the access arrangement with New South Wales, who did you deal with to do the access arrangement with the terminal? Did you do it with the access corporation or did you do it with CountryLink or City Link? Whom did you do it with?

Mr Finnin—With the rail access corporation.

Mr McDOUGALL—So you have got the rail access corporation doing deals over something which they do not control—a terminal.

Mr Finnin—Yes.

Mr McDOUGALL—How do you know you got the most satisfactory deal?

Mr Finnin—Other than dealing with five different other entities we were quite happy to deal simply with the rail access corporation. We get what we believe to be the best possible deal we can, given the circumstances in that particular facility.

Mr McDOUGALL—They do not manage the terminal.

Mr Finnin—I know they do not, but they have an agreement, I understand, with the managers.

Mr McDOUGALL—You have a three-party structure to try to do business over the terminal?

Mr Finnin—Yes.

Mr HARDGRAVE—Do you get the same platforms each time you leave?

Mr Finnin—Yes, we do.

CHAIR—We might broaden this a bit now. Mr Finnin, in your submission you say that ‘national administration of the rail network is probably both unworkable and undesirable’, that intrastate networks

should not be given to a national body. What are you saying there?

Mr Finnin—Bearing in mind that I did not write this submission—

CHAIR—I want to get the flavour of it. I am not nitpicking; I just want to know what you are saying. If you are not comfortable with it, come back to us later in writing.

Mr Finnin—Yes, sure.

CHAIR—I did not want to press the point. I did not quite get what the flavour of your comment was, that is all. Let me take you to another thing: those passenger rail services have become more and more a tourist operation—an experiential thing, haven't they, as distinct from what they were 30 or 40 years ago? Isn't there a role for a community service obligation with those, especially in respect of the Melbourne-Adelaide line? To what extent should you be required to carry pensioners and people like that? What do you see as your community service obligation? Do you think the traditional way that Australia has approached the community service obligation is still valid today or do you think we have to be more hard nosed with these sorts of railways?

Mr Finnin—That is a very difficult issue. We are entirely driven by profit.

CHAIR—Yes, I understand that.

Mr Finnin—As such, there are cases where, I have no doubt, we will cease to call at stations which are unprofitable. If the government believes it has a role in continuing to service these communities then it will need to look to people like us to maintain those services on a user-pays basis. Effectively, as we speak right now, we are subsidising what in essence has been a public sector loss-making business for some years. In order for us to achieve profitability quickly we need to determine what is bringing in the money and what is not. More often than not these small communities do not make use of their rail services, but there are many reasons for that; not just because they have been recently privatised.

Mr WILLIS—Where are you subsidised? Can you explain that a bit more?

Mr Finnin—If you take the *Overland* service between Melbourne and Adelaide, we are calling at stations that are simply unprofitable to do so.

Mr WILLIS—Such as where?

Mr Finnin—Which particular stations? There are that many of them: Murray Bridge, Dimboola, Tailem Bend. There are a lot of stations along that route where, if you looked at the number of passengers that got on and off in the last 12 months, in some cases there would be less than half a dozen.

So there is that and the fact that we are competing on a very heavily congested corridor. As such, the train travels in the middle of the night, so in some cases it calls at these stations at two or three in the morning, and it has done this for some time.

Mr PETER MORRIS—Why did you buy this business then if it is making a loss?

Mr Finnin—Because we believe we can make it profitable.

Mr McDOUGALL—Can I follow that question. You have spent \$16 million and you have all these access problems. Another consortium which is looking at building a railway between Sydney and Canberra said to me recently, ‘We have done all these sums. Here are all the cost structures. We have done all our work.’ I said, ‘What is your arrangement with the New South Wales access corporation?’ They said, ‘We’re going to see them next month.’ How can they commit half a million dollars to do an amount of work, which is what they have committed with the work they have done? They committed themselves with their partners to spending capital money, and you have committed \$16 million.

Mr Finnin—And a further \$14 million over six years.

Mr McDOUGALL—How could you have committed that without even having an arrangement in place with the most important people to you—the provider of your services and your access arrangements? If you did not have those nailed down and in place before you made the decision to buy, why did you buy?

Mr Finnin—First of all, it would have been absolutely impossible to have those arrangements in place before we purchased. Absolutely impossible. If you want to know the reasons for that, you should talk to the Office of Asset Sales. Secondly, we bought this business because we predicated our bid on expanding services. We believe we can expand services and we believe those services will be profitable. Thirdly, you have to understand that, in the rail industry, the cost base is extremely high. We believe that, most importantly, there is a will within this industry to reform the process. A lot of people within the rail industry are committed to reforming it and committed to making it work, and I think the government needs to tap into that will and tap into that enthusiasm very quickly.

If one looks at what funding there is in roads compared with what there is in railways, it is absolutely pathetic. Until government starts considering issues like the excise duty on diesel fuel and has money from that committed to further rejuvenating rail, then we are going to have the same arguments next time you come to Adelaide.

Mr McDOUGALL—What is the role of the federal government and the role of the state governments in resolving your problems?

Mr Finnin—I think there needs to be a commitment to entirely privatise this industry.

Mr McDOUGALL—From all governments?

Mr Finnin—Yes.

CHAIR—The track as well as the actual rolling stock on the track?

Mr Finnin—Yes. If you look at the British rail model, one of our investors, GB Railways, won the Anglia Railways franchise in the United Kingdom. The entity Railtrack, which is the track provider, is

completely privatised—in other words, it is entirely dependent upon fees it gets from users. If your train is ready to leave the station at a particular minute and Railtrack is not ready, it pays £69 a minute for every minute it is late and vice versa: if the track is ready and your train is not ready, you pay £69 a minute. Until we can get into a situation like that, where the infrastructure is privatised and entirely based on user-pays, we will not have a rail industry. I think there is certainly a role for government but I think—

Mr PETER MORRIS—What is the length of the longest service they operate?

Mr Finnin—I am not sure, sorry. It is certainly not transcontinental, that is for sure.

Mr PETER MORRIS—That is what I am talking about. And what is the journey time? Is it a couple of hours?

Mr Finnin—Tops. Does that have some relevance?

Mr PETER MORRIS—Yes, to me. I am just trying to make a comparison. You are drawing comparisons. The services you bought into here are vastly different in scale, passenger density and length of the actual lines that are being serviced.

Mr Finnin—I do not think the length of line and time have anything to do with it.

CHAIR—Aren't we just talking about the principles at this stage?

Mr PETER MORRIS—In my mind, it does have a comparison. That is why I am asking the question. I am asking the question for me, not for anyone else.

CHAIR—I see, fair enough.

Mr McARTHUR—The three trains you have taken over—the *Ghan*, the *Indian Pacific* and the *Overland*—are notoriously known for their loss-making capacity. Would you care to share with the committee what changes you have made in bringing around that historical position? Would you also care to comment on the fact that aeroplane fares are cheaper than some of your fares from capital city to capital city? Would you reduce your fares to increase patronage?

Mr Finnin—We have already done that on a number of routes. One of the first things we did when we took over Australian National was we reduced labour costs quite significantly. In order for us to operate profitably, labour costs were our first target. There are some costs that we have simply no control over. With the high fixed costs base, in order for us to grow competitive advantage we have to expand services. We will not survive in the *Indian Pacific*, the *Ghan* and the *Overland* if we do just what AN did. We have to expand those services wherever we possibly can to make full use of the resources that we have available to us, not the least of which is rolling stock.

Mr McARTHUR—Where are your passengers coming from?

Mr Finnin—All over the country: Western Australia, New South Wales is a very big market, and Victoria.

Mr McARTHUR—Have you seen signs that your increased services are attracting more passengers?

Mr Finnin—Absolutely. The other issue is that we are targeting international markets that are used to and are familiar with long rail journeys, like the United States and Europe. They are mature markets; they are not growing markets. They understand what long rail journeys are. We are already seeing growth in both those market segments. We simply have not done enough to penetrate them.

Mr McARTHUR—What are you doing about those former railway employees who used to be a big component of the passengers on your trains? How are you handling the CSO of those particular passengers?

Mr Finnin—I am sorry, could you say that again?

Mr McARTHUR—Former railway employees used to, I gather, fill a big number on those three railway lines.

CHAIR—Pensioners and rail employees were very big users of, for example, the *Indian Pacific*. How do you handle that situation?

Mr Finnin—We still provide concessions to the government. We are currently negotiating with the federal government on streamlining that process. We would certainly hope, in a few years time, not to be dependent on that business. We are not dependent on it now. It represents a very small part of our overall revenue. We turn over \$55 million a year. Concessions probably represent about \$5 million of that.

Mr McARTHUR—And what do you say about the air fare question?

Mr Finnin—People do not travel by train because they are in a hurry. What we need to do is almost what the cruise ships have done: create a destination. For years we have cocooned people in a stainless steel box. We cross the oldest continent in the world and do not allow them to feel it and to touch it. In order for us to grow and expand, we need to allow people to do that.

Mr PETER MORRIS—He is salivating already.

Mr Finnin—We need to create a destination on board the train, not simply provide transportation from one sector to another.

CHAIR—In some cases, that will mean go by train one way and fly back the other, that style of thing.

Mr Finnin—Yes. Not only selling holidays, but doing things on board the train; taking people up the Finke riverbed, for instance, to experience the flora and fauna of our great country.

CHAIR—What about the *Overland*? We hear that you are losing \$200,000 a month. Is that the figure?

Mr Finnin—Yes, and growing.

CHAIR—What are the main components of that loss? Where do you see the solutions being? Is it just in the passenger traffic, is it the condition of the track or is it the access? Can you give us a feel for the things that are making that \$200,000 a reality?

Mr Finnin—Sure. There are a number of reasons. The most important issue to understand is that the *Overland*, unlike the *Indian Pacific* and the *Ghan*, is an intercity commuter service. People travel on the *Overland* because they are either going to work or they are seeing family and friends. It is not strictly a tourism service like the *Indian Pacific* and the *Ghan*. Indeed, it is much shorter than both those journeys. That is the first issue.

The second issue is the state of the track. The track is in the most appalling condition. It is probably the worst sector of track anywhere in the country. It has 18 speed restrictions, and 12 of those speed restrictions are under 40 kilometres an hour. It can at times take between 1½ and two hours to negotiate one speed restriction. So the state of the track is very much an issue.

The third issue is that the *Overland* was the neglected stepchild of Australian National in that they did very little with the service. I do not know why that was. But if you look at the train, it is of very poor quality, it is old, it is rusted, it is a very poor quality service—all those issues juxtaposed together make an unattractive product. It is up to us.

Mr WILLIS - That is, I was intending to travel on it next week.

CHAIR—You are in for a shock.

Mr Finnin—Those issues juxtaposed together and, given the high fixed cost of operating a railway within that environment, makes it very difficult. What we have to do as private sector operators is ensure that we can strike commercial and realistic deals on track access. Great Southern Railway is not expecting a miracle on this track overnight. We simply want the government to say, 'Fair enough. We cannot provide you with the best possible infrastructure and our prices will reflect that.' But the problem at the moment is that they do not.

CHAIR—When this two-year contract period is up, what is the likelihood of your company staying on that track?

Mr Finnin—Unless we can fix it well before then, two years will not matter. We have to fix it now. I am hoping for great things from the ARTC when our current agreement with VicTrack comes to an end. I understand Mr Welsby has just announced a \$30 million track upgrade to that sector of that track.

CHAIR—Who has?

Mr Finnin—I understand Mr Leon Welsby has just announced a \$30 million track upgrade to that particular section of track.

Mr WILLIS—I was just going to pursue that point about the *Overland*. What do you see the future of the *Overland* being? What is it contingent upon? Is it contingent upon track improvement and renegotiated rail access charges? Do both of those things have to change significantly for you to maintain the service?

Mr Finnin—One is the improvement of the track infrastructure and two is improving facilities. We would support the move from Keswick to Adelaide to achieve that.

Mr WILLIS—Why does the train pull up at Keswick; where is this Keswick?

Mr Finnin—It is out in the boondocks somewhere.

Mr WILLIS—How far out of town?

Mr Finnin—It is about a \$3 to \$5 cab ride from the centre of town. It is literally five to seven minutes in a cab—but it could be an hour away.

Mr WILLIS—How long has the train been pulling in there?

Mr Finnin—For some years. I understand that it was originally in Adelaide and some nut decided to—

Mr WILLIS—It just seems to me that, in so far as looking for tourist type traffic, people look for a bit of grandeur in the journey. There is grandeur at Adelaide station but probably not at Keswick, although I do not know the station.

Mr Finnin—No, it is a very functional terminal which was built in the 1960s or 1970s and looks every bit of that. But, to answer your question, track infrastructure is one issue, capital expenditure on the train to improve the rolling stock is another, as is increasing motor rail in that business as, ultimately, we need to be providing a fast, efficient intercity commuter service within 10 hours. There is a lot that we can do. It is all very well for us to say, ‘What if’, ‘What if’, ‘The government’, ‘The government’, but there is an awful lot that we can do by expanding facilities like motor rail and improving the rolling stock. We also need to get people back using the train because years ago the *Overland* was such a popular product. People did use it, and I am amazed at the amount of people that still use it.

Mr WILLIS—You have made public statements which made it sound as though it was imminent that you were about to close it. Do you have any contractual obligations to run it for a certain time?

Mr Finnin—Yes, we do.

Mr WILLIS—When is that until?

Mr Finnin—We are committed to ensuring that we meet those obligations, and I certainly made no public statements suggesting I was going to kill it. The media might have done a classic cut and paste job on what I said. But we have a commitment to keep that going for two years and we will keep it going for two years.

Mr WILLIS—So when does the two years run out?

Mr Finnin—1 November 1999.

Mr WILLIS—When you started off your statement, you sort of said that you were not really in the transport business or the rail business, you were in the tourism business. But since then you have said that the *Overland* is not really a tourist train but rather a sort of commuter train, does it really fit within your business concept?

Mr Finnin—Yes, most certainly—

Mr WILLIS—It is not a tourist train per se.

Mr Finnin—No, it is not. It is certainly not like our other rail journeys.

Mr WILLIS—So you are in the transport and the rail business?

Mr Finnin—To a lesser extent, yes. But we see our main growth in tourism. That is not to say that we cannot turn the *Overland* in part into a tourism product, getting people into Adelaide and into the Barossa and taking people out of South Australia. The growth in interstate tourism in this country over the last five years has been phenomenal with Australians taking holidays in their own country. We see the *Overland* as being very much part of that as well as providing an interstate commuter service for passengers wishing to travel.

Mr WILLIS—So what do you need to see changed between now and November 1999 to maintain the service?

Mr Finnin—Track predominantly and the regulatory environment—

Mr WILLIS—The commitments to improve the track while not presumably a total improvement of it in that time.

Mr Finnin—Why?

Mr WILLIS—I do not know. Do you think it is going to happen in that time frame?

Mr Finnin—Absolutely. It has been neglected for so many years. You talk to any operator on that track, Mr Willis, and they will tell you that that track needs to be repaired.

Mr WILLIS—We have lots of evidence about how bad it is. All I am saying is that it seems to me unlikely. At the moment the federal government has committed \$250 million to rail improvement over four years, and you are saying you want hundreds of millions to be spent on this track by November 1999. It is not going to happen unless something dramatic changes.

Mr Finnin—We are hoping that it will. Maybe Labor might get back in and give us a few more.

Mr WILLIS—I would rather spend it there than somewhere else, that is for sure.

Mr LINDSAY—Mr Finnin, I am interested in the tourist aspect. Earlier in your evidence you mentioned the *Orient Express*; have you seen the train that is going to run down the eastern seaboard?

Mr Finnin—I have not, no, but I have seen trains very similar to it and experienced trains very similar to it.

Mr LINDSAY—My understanding is that the *Orient Express* people themselves believe that it is the best train in the world of its class and of its type. Is there any prospect of your company taking up that rolling stock and running it across to the west as a tourism experience? Have you considered that?

Mr Finnin—Taking that rolling stock—as in?

Mr LINDSAY—The rolling stock that has been built in the heritage style—

CHAIR—In Townsville.

Mr LINDSAY—And running it across to the west. At the moment, as I understand it, it is going to run from Cairns down to Melbourne. Is there any prospect of perhaps building more rolling stock and using that as an experience across to the west?

Mr Finnin—I do not think so, no. There are probably several reasons for that. One is that we are not the Ritz Carlton of the tourism industry whereas the *Orient Express* is. We see ourselves very much as a 3½- to 4-star hotel on wheels. The market that is being targeted by the *Orient Express* is an exceptionally small market and we already believe that market is very well serviced. We believe our market is a much bigger market that is easier and more cost-effective to service.

Our business is predicated on expanding our own services but, more importantly, using our own rolling stock, of which there is a fair amount out at Keswick. I see us certainly developing strategic partnerships with people like Queensland Rail and indeed Countrylink with those services, but not running that particular type of train across to the west.

CHAIR—Do you have plans, if not for other railways, for other services in Australia?

Mr Finnin—Yes, we do. We are planning to extend the *Ghan* later this year from Adelaide into Melbourne and, hopefully early next year, from Melbourne to Sydney. That is certainly our strategic plan in

the next—

CHAIR—How many days a week will that run?

Mr Finnin—Initially one, but hopefully two.

Mr PETER MORRIS—The *Ghan* operating from Sydney?

Mr Finnin—Yes. I think we will call it the *Alice*. Then, hopefully, on up into Brisbane.

Mr LINDSAY—Does that mean then there is a potential to go right up the Queensland coast?

Mr Finnin—Most certainly.

Mr LINDSAY—As a tourism experience?

Mr Finnin—Queensland Rail want to dominate the world and we are anxious to stop them.

Mr HARDGRAVE—On the Queensland Rail front, it seems from evidence before this committee that, of all the rail infrastructure in Australia, the reconstruction of so much of the Queensland Rail network has in fact been one of the most positive things to happen to rail in this country. Would you agree with that? Are you conversant with the fact that they have straightened out tracks and fixed up gradients?

Mr Finnin—For sure; absolutely.

Mr HARDGRAVE—That is the sort of work you would like to see done, obviously, in your particular network?

Mr Finnin—To be sure.

CHAIR—Is there a role for things like a tilt train type of service between places like Adelaide and Melbourne?

Mr Finnin—Absolutely.

CHAIR—Can that be done with diesel as effectively as it can with electric trains?

Mr Finnin—Yes. In fact one of our consortia is bidding on a tilt train for Sydney to Canberra at the moment. I believe part of that concept is being able to run through those tunnels without the need for diesels.

CHAIR—Going back to the track again, what should the role of the Commonwealth be in the upgrade of that track? At what point does private industry look after a track and is there a catch-up mechanism involved? How do you see that happening? You have said you favour the big bang approach rather than the incremental approach obviously, but most of the witnesses before us have talked about the

incremental approach; to go and do the 20 or 30 worst hot spots between Brisbane and Perth. What is your view?

Mr Finnin—I am not necessarily against that, but there is an awful lot that needs to be fixed up before you have viable operating conditions. If you talk to most rail operators, it is what is wrong that is causing them the difficulty, not what is right; the development of more crossing loops and so on to enable particularly freight operators and ourselves to operate more quickly and more efficiently. There is nothing necessarily wrong with an incremental approach, but there is a fair amount to be fixed up very quickly, and that is the unfortunate issue.

Mr McDOUGALL—I know that you are in the tourism business, but I am going to ask you to use your knowledge. There are obviously a lot of consortia interested in running Sydney to Canberra. Obviously, if they are going to do it, there is going to have to be, in the tilt train cases, considerable upgrading of tracks and quite a bit of expenditure. Governments are going to be involved somewhere along the line in doling out money.

The consortia are going to try and operate a train from a four million population base to a 250,000 population base and they are going to carry 2.8 million passengers a year. I do not know where they are going to find them. But, in your opinion, is that sort of thing viable and should governments be getting involved in that or should governments say, 'Look, let's get out of that and get into the real infrastructure upgrades that we have got to do in our longer haul operation'? Is the type of thing that they are talking about between Canberra and Sydney really fanciful or not?

Mr Finnin—Absolutely not; I believe that Sydney-Canberra is one of the most exciting things to happen in the rail industry in a long time.

Mr McDOUGALL—Where are they going to find the 2.8 million people?

Mr Finnin—In Sydney for heaven's sake; it is the largest tourism destination in this country. These people are already coming. One of the reasons they do not go to where they want to go is because of capacity. Have you ever tried to get a plane between Sydney and Canberra? Unless people who are intending to operate in that sector establish partnerships with the airlines in order to free up capacity elsewhere on more lucrative routes—you already have Qantas looking at that. I think it will work 100 per cent, absolutely.

Once the private sector sees government investing in rail, that \$250 million we speak of can be leveraged upwards as far as we want it to go. But there has to be a commitment on behalf of government to really reform the rail process. Once private sector operators like us see that, we will start spending the money. I have \$14 million to spend. I want to spend some of that on the *Overland*. Once I see the government committed to fixing that track, I will start spending money on my train and making a dollar from it. So the government has to be involved in that process, not only in fixing up those issues but in further investment. That will in turn leverage private investment.

Mr McDOUGALL—If you do not know the answer to this question, please say so: how many of those 2.8 million people are based on the trip from Sydney to Campbelltown and back?

Mr Finnin—I do not know; I cannot answer that question.

Mr McDOUGALL—I have a suspicion that the 2.8 million passengers are not really between Sydney and Canberra, that a big load of the 2.8 million passengers are actually between Campbelltown and Sydney so long as the state government in New South Wales gives them access to that passenger trip. In the access regime in Australia at the moment, are there limitations as to where you can carry passengers?

Mr Finnin—Yes. Because I think there are different political imperatives based on each state. Take the *Prospector* between Kalgoorlie and Perth. We also run over that route.

Mr McDOUGALL—Yes. And you cannot carry passengers between Kalgoorlie and Perth?

Mr Finnin—We most certainly can, and have, and will do. But it will ultimately signal the demise of that particular rail service.

CHAIR—Unless they come and match you.

Mr Finnin—Absolutely. That is what privatisation is all about.

Mr McDOUGALL—So you have no limitations in relation to the carrying of passengers?

Mr Finnin—No. We have only the limitations we impose ourselves. For instance, you have to book two months out to get Broken Hill because we try to prioritise long-term journeys over shorter ones.

CHAIR—Mr Finnin, you have introduced another factor today that I think is very interesting—that is, the terminals—and I would like you to expand on it. We have spent a lot of money on our airport terminals, and some state governments are now spending a lot of money on sea port passenger terminals. Would you be prepared to do a short paper for us on what should occur at our major railway stations and destination terminals?

Mr Finnin—Yes, I would welcome that.

CHAIR—Are there any other questions, colleagues?

Mr WILLIS—As a follow up to that, are you negotiating with the South Australian rail authorities to get back into Adelaide station?

Mr Finnin—Yes.

Mr WILLIS—Are you optimistic about the outcome?

Mr Finnin—Yes, we are. I think that, certainly, the South Australian government is committed to, if you like, rejuvenating the city of Adelaide, and part of that process is having people like us operate out of the central. The capacity is there. I think the will is there and, if they find the money, I think we will be right

behind them. But, yes, I am optimistic.

CHAIR—Mr Finnin, of the many people who have appeared before us, you have been certainly one of the most stimulating and one of the most challenging. Thank you for the time that you have devoted to your submission and for your appearance today. I wish you well with your operations.

Proceedings suspended from midday to 1.05 p.m.

CHABOT, Mr Charles, Chief Executive Officer, Australia Southern Railroad Pty Ltd, 320 Churchill Road, Kilburn, South Australia 5084

CHAIR—I welcome Mr Charles Chabot, who is better known to his friends and enemies as Chuck Chabot. Although you are not under oath, these proceedings carry the same weight as those of the parliament and must be treated with the same respect as those of the parliament. On that note, Mr Chabot, would you like to now give us a five-minute overview of your submission today.

Mr Chabot—First of all, I would like to thank the committee for the opportunity to speak before you and to present our views. We have been in operation now for almost six months in Australia. We were the first of the state freight railroads to be privatised. We have had an excellent experience in our first six months. We see that there is a great opportunity for a freight railroad that will serve its customers and be customer oriented to increase its business dramatically here and to help the economy of South Australia and the entire Commonwealth. We are very excited about the opportunities.

One area that we feel needs to be addressed to ensure the growth of freight railroads in Australia is the difference in treatment between the highway mode and the railroad mode. The railroads are currently paying 18c a litre in fuel tax. A good proportion of that, I understand, goes to fund the road infrastructure on which our competition operates. To Australia Southern Railroad that means that we are paying over \$5 million a year to our competition. In addition to that we are paying about \$7½ million to maintain our own infrastructure at no cost to the government, and we are paying about \$2½ million to Track Access, which became the Australian Rail Track Corporation in January.

So we feel that the imbalance between the treatment of the modes is the greatest impediment to rail growth in this country. As you go forward looking at it you will find that a few dollars invested in rail can save you several thousands of dollars invested in highways and will allow the economy to flourish, will allow the international trade sector to grow and will allow us to bring new business into the areas we are serving.

CHAIR—What do you see is the essential role in the rail industry in Australia of the Commonwealth government which traditionally has not been a player, except here in South Australia and Tasmania?

Mr Chabot—We would like to see the role of the federal government to ensure that the state regimes, the open access regimes, the track access charges and the standards are fairly well standardised among the states. We feel the Commonwealth can act as a referee in that and get the states to standardise the operating practices and the rules under which the railroads have to operate in each state.

The second area is, as I mentioned in my opening remarks, in terms of the imbalance between the competing modes. We would like to see the Commonwealth either reduce its subsidy to trucks or provide a subsidy to rail. Preferably, we would like to see it through a reduction in the subsidy to trucks.

CHAIR—You mentioned in your submission that customers want to remain with rail. What evidence do you have of that?

Mr Chabot—I think the fact that we were able to come in, take over a state owned railroad, and not lose a single freight customer during the transition period; plus the fact that we have a number of customers who have come to us and who would like us to move their freight by rail. We are working with them to put additional customers on the rail. We have taken three of our existing customers and increased their rail volume fairly substantially in the five and a half months we have been in existence.

Mr HARDGRAVE—The whole thing points to decades of no coordination, no planning for outcomes and no planning for total management of transport—not just rail transport.

Mr Chabot—I would have to agree with that. It appears that the transport policy in Australia is very fragmented. Genesee and Wyoming operates in Canada and the United States, and we will be operating in Mexico. While we see it to a certain extent in every government, we see it more here than we do in Canada, Mexico or the United States.

Mr HARDGRAVE—In those other countries, as a comparative public policy example, there are different state railways, aren't there?

Mr Chabot—In the United States and Canada the railroads are privately owned. There are a few small railroads that have been taken over by some of the states or local municipalities or county governments to provide essential services, but in Canada and the United States the vast majority of the freight transportation is privately held. In Mexico it is currently government owned and operated but it is being rapidly privatised, as it is in Australia.

Mr HARDGRAVE—I suppose the sad part is that railway development began in Australia before federation. We ended up with umpteen different systems, umpteen different fiefdoms, and we still have a situation where there are a dozen or more signalling requirements, even down to fire jacket or safety jacket requirements—for trains operating across Australia through different states and different areas there are different jacket requirements.

Mr Chabot—That is correct.

Mr HARDGRAVE—What we now need to do is to sit down and plan where rail fits into the total transport picture. Would you submit that that is a fair approach?

Mr Chabot—Yes, and if you look at what other countries are doing, the percentage of freight handled by railroads in this country, for example, is about half what it is in the United States on a percentage of the gross tonne miles of intercity freight. I think you will find that you can save a substantial amount of money in your investment in road infrastructure by promoting the railroads.

Mr HARDGRAVE—But that in itself is probably a reason why state main roads ministers as they have been called—sometimes they are called transport ministers and other times they are called main roads ministers—have been able to lobby so effectively for the budget dollars to go into roads rather than rail.

Mr Chabot—I think that is a large part of it, but also the railroads have been state owned and they

have felt constrained from lobbying, while the trucking industry and the private motorists are not state owned and have felt no restriction on lobbying at all.

Mr HARDGRAVE—What sort of improvements have you seen that we need to put together as far as rail infrastructure is concerned?

Mr Chabot—I can start off with track condition. We only operate in basically four states—Victoria, South Australia, Western Australia and New South Wales. The vast majority of our operation is in South Australia. There seems to be a very significant difference among the states in the development of the level of track maintenance. For example, between Melbourne and Adelaide, the Victorian side of the line is in an abysmal condition. The South Australian portion of the line is in much better condition, which means that if we power our train to operate through the South Australian side and plan it to operate on the South Australian side, you are operating on good track and then you enter into Victoria and you come onto extremely poor track.

Mr HARDGRAVE—It is not just the case that the steel rails are deteriorating and the sleepers are deteriorating. Surely, it has to be a rebuild of vast sections of track to try to get gradients right, curves right, and those sorts of things?

Mr Chabot—I do not know for sure. We have not been here long enough to really look at what it takes. I just know that the track speeds in Victoria and the track conditions are extremely poor compared with what they are in South Australia.

Mr HARDGRAVE—With your operations into New South Wales, I imagine that that means taking freight through to the Port of Botany, does it?

Mr Chabot—Basically, we operate handling ballast to Broken Hill on the track access portion of the line, so it is an extremely limited operation.

Mr McARTHUR—In your submission you talk about the fact that you own 1,200 kilometres of branch lines, which gives you an integrated operation, yet you are subject to the open access regulations. Could you give us your view on that? On the one hand, you say that it is unfair competition; on the other hand, this committee observes that access regimes will be part of the game at a national level. How do you equate those two arguments from your viewpoint?

Mr Chabot—To me they are entirely different aspects. One is that the governments are building the infrastructure for trucks which are our major competition. We compete on the margin against other railroads, but we compete head-to-head on a daily basis against trucks. For example, we handle about 30 per cent of the grain moving in South Australia on a gross tonne kilometre basis. Trucks handle about 70 per cent. Most of the grain we handle is over the tracks that we own. There is an open access regime that has been proclaimed, but it is still quite unclear as to how we would have to allow our rail competition to come onto those lines and move the grain. We are much less concerned about that open access regime for rail than we are about the trucks getting their roads built, because we have been assured that we will get a fair return on the investment we have made in our lines, even if another rail line comes on and tries to compete against us.

We feel that on the low density branches that we are hauling grain there is a very limited opportunity for someone else to bring a broad gauge or a narrow gauge locomotive and a string of wagons in and try to serve one of the grain silos against the established customer-oriented railroad that we feel we are. If it happens that someone can come in, operate on our tracks and pay us a fair return on the track, we are very willing to learn from them and to try to learn how we can operate better. But we feel that the unfair competition is between the rail and truck.

Mr McARTHUR—You say that you are a short line operator. Here in Australia we would have thought that the advantage of rail was the long haul. How come your company is so efficient and profitable in the short line operations? Can you tell us how you do it so well?

Mr Chabot—Genesee and Wyoming has been operating short line railroads in the United States for 99 years, and we have developed an expertise in competing against trucks in short haul. We feel that we have brought that expertise here. But while we look at ourselves as a short line railroad, we operate from Melbourne to Perth on a hook and pull business. We believe that that is as far as any US class 1 carrier operates a single through-train. So while we are a short-haul carrier, we are operating long haul as efficiently as any courier in the world. We intend to compete on both the long-haul and the short-haul markets. Traditionally, the short-haul market has been the more difficult one because trucks have a more inherent advantage the shorter the distance. We have successfully competed in the United States, and we are successfully competing here. We do it by operating extremely efficiently.

Mr WAKELIN—The diesel excise issue is obviously related to your roads comments as well. How do you feel about paying excise, in a sense, to maintain your own track?

Mr Chabot—We do not mind paying to maintain our own track at all. We would like to see our competition have to maintain their own right of way. To the extent that it is a level playing field, if we are paying an excise tax and that excise tax goes back in to maintain our infrastructure, and our competition had to pay a similar tax to maintain their infrastructure, we would not have a complaint about it. The only complaint that we have is that we are paying it basically to maintain the roadway for our competition. We then have to go back and pay our own dollars to maintain our own infrastructure.

Mr WAKELIN—On page 1369 under future privatisation of NR, it says:
... standard-gauge lines will be severely hampered unless specific access guidelines are established.
Could you comment on that?

Mr Chabot—It gets to the point that, on the low density branch lines in which we are operating, we feel that we can compete effectively against anyone. We paid for those branch lines; we are paying to maintain them; and we are paying for train control on them. As long as we are compensated for that, we are willing to compete against anyone. When National Rail is privatised, there will be a number of locomotives put on the market. We feel that there is a surplus of locomotives in Australia. They will probably be on the market and there will be more rail competition. As long as a fair and remunerative access regime and access pricing is put into effect we are not afraid of it. It is if we are forced to maintain our track and allow someone else to use it on a marginal cost basis that we would lose our competitive edge.

Mr WAKELIN—Thank you very much.

Mr HOLLIS—In answer to a question, you mentioned the role of the Commonwealth—you see them more or less as the umpire. What about the role of the states? Do you see the states having any role in rail at all?

Mr Chabot—I think the states have carved out a niche in a regime on safety—to maintain safety standards and to enforce the accreditation of railroads—and that is a legitimate role for government. Whether it should be the Commonwealth or the states, I am not sure. If it is going to be the states, then the Commonwealth should make sure that it is even-handed and fairly consistent among the states to enable interstate transportation.

Mr HOLLIS—Isn't the criticism that people have been making that under federation the states in this country are so strong that, if you are going to give the states a role in accreditation, or anything like that, why not just leave it all to the Commonwealth?

Mr Chabot—Being new in Australia, I do not feel qualified to talk about the relative impact between the Commonwealth and the states.

Mr HOLLIS—Fair enough—a very diplomatic answer. I note that you purchased quite a lot of rolling stock. What condition is that rolling stock in?

Mr Chabot—The condition of the rolling stock is barely adequate for the task it has to perform. I am going to quote these numbers. I do not know whether they are completely accurate, but they are relatively accurate. The Australian national railroad locomotive fleet was broken up between National Rail and Australia Southern. Out of that, Australia Southern received 89 locomotives with an average age of 28 years and an average of 1,700 horsepower. National Rail took 35 locomotives with an average age of less than eight years and an average of over 3,000 horsepower. That gives you an order of magnitude comparison of the fleet we were left with, compared with the fleet that Australian National had to run their business and what National Rail took.

Mr HOLLIS—So you think you got a raw deal.

Mr Chabot—I do not want to say we got a raw deal. We went in with our eyes open. We knew, before we made the purchase, what we were acquiring and what we felt we could compete with. To date, we have a locomotive fleet that is old and worn out, we have a wagon fleet that is old and worn out, and we are serving our customers. We are doing that because we have the best people.

Mr HOLLIS—Talking about old and worn out, let us turn briefly to another comment you made on the Melbourne-Adelaide rail link. You are not the first person to come before this committee and paint a fairly depressing picture about the condition of the rail there. It is fairly obvious that that rail has to be upgraded. Whom do you think that responsibility rests with?

Mr Chabot—From a purely intellectual point of view, that responsibility should rest with the rail

industry. Only to the extent that the state governments and Commonwealth government subsidise the trucks, which are in competition over the link, do I feel that they have any responsibility for levelling the playing field. To the extent they are subsidising our competition, I feel the responsibility to level the playing field, to bring our infrastructure up to at least somewhere on a par with what the trucks have, rests with the government. Again, I do not know whether that would be the states or the Commonwealth.

Mr HOLLIS—Again, you are not the first person who has put that argument to us, given the fact that, although private enterprise operates on the road, it is a government funded instrumentality. Do you think that there are still opportunities for investment in rail in Australia?

Mr Chabot—Do you mean for construction of new rail?

Mr HOLLIS—No. If I had money to invest, should I put it in rail, into privatisation, or not? Do you think rail is a good investment in Australia today?

Mr Chabot—My parent company, for whom I have worked for six years, has made a substantial investment in South Australia and we are looking beyond South Australia. We think there are some tremendous opportunities in Australia. We probably will be putting our money where our mouth is.

Mr PETER MORRIS—Mr Chabot, what is the average short rail line length that you are operating? What kind of service and over what sort of distance?

Mr Chabot—I am afraid I do not have an answer for that. Our shortest one is about 12 miles and the longest one is about 300 miles. I would guess the average is probably 150 miles. I am sorry I cannot answer better.

Mr PETER MORRIS—I just want to get some sort of feel for it. The ‘short line’ is a new term in use here in respect of railways. It can be from two kilometres to 2,000 kilometres. In your case, you are operating from Sydney to Perth, are you?

Mr Chabot—We operate from Melbourne to Perth.

Mr PETER MORRIS—So that is about 3,500 kilometres?

Mr Chabot—About 4,200 kilometres.

Mr PETER MORRIS—It is a pretty long short line, isn’t it?

Mr Chabot—Yes. The point I made earlier is that it is probably longer than any US class 1 railroad operates a train.

Mr PETER MORRIS—I heard. I am just trying to get in perspective how the experience of G&W back in the States compares with what you are trying to do here. You said earlier that you went into this with your eyes wide open. I am a bit puzzled by the point you are making now about the road users’ contribution,

because this is made as though it is only trucks. The vast majority of traffic on roads is private motorists. Have you just discovered this, or were you aware of it when you did your due diligence?

Mr Chabot—We knew very well that trucks were a very strong competition. We drove the roads and got pretty well driven off the roads by some of the road trains and the B-doubles. We have talked to the customers who are shipping the majority of their freight by truck and we are very well aware of trying to compete.

Mr PETER MORRIS—You knew the commercial and regulatory environment into which you were going to invest?

Mr Chabot—Yes, we did.

Mr PETER MORRIS—I just think it is a bit late to be saying, 'It all should be changed now we've invested our money.' I would have thought you would have looked at all those things before you made the decision to invest faced with competition.

Mr Chabot—We did make the investigation beforehand. We have gone into this with our eyes open. We know that we can make money and we can compete against the trucks. We also know that, if the playing field were levelled, we could take an awful lot of those trucks off the road. Even though they are a minority in terms of vehicle miles, they are a significant majority in terms of road damage. We feel that we and the other railroads in Australia can make a significant contribution to the economy by reducing the amount of investment that has to go into the road infrastructure.

Mr PETER MORRIS—What then of the contribution or the share of the market that is taken up by sea, particularly foreign flagged vessels with Filipino crews and so on between Melbourne and Adelaide? Do you take that into consideration?

Mr Chabot—Yes, we have. We do not have a good feel for what that percentage is.

Mr PETER MORRIS—But have you looked at the number of containers and the contents of those containers that are moving between Melbourne and Adelaide?

Mr Chabot—I have seen some numbers on it. The numbers I have seen have been rough estimates and I do not know how much confidence to put in them yet.

Mr PETER MORRIS—You did not even look at that for Melbourne to Perth, Melbourne to Adelaide and Adelaide to Perth?

Mr Chabot—I believe that, for Melbourne to Adelaide, foreign flagged vessels are carrying virtually nothing.

Mr PETER MORRIS—I think it is considerably more than nothing. Those figures are publicly available and you can have a look at them. What I am trying to get at is that you are talking about

projections for the future transport composition of the nation—which is embracing road, rail and sea—but you seem to have only looked at road, not sea. Looking at sea, there are two components—domestic flagged vessels and foreign flagged vessels, which are the growing incidence of vessels.

Mr Chabot—As your cabotage laws are eased, there will be a growing threat to the long-haul market.

Mr PETER MORRIS—Wouldn't that be a greater threat than your road transport is? I suspect it is.

Mr Chabot—Given where our business primarily lies, we are primarily an intrastate courier in South Australia. That accounts for about 80 per cent of our business. We focus most of our efforts on trying to make that more efficient. That is purely truck competition. The Melbourne to Perth corridor is virtually all vessel competition. My estimate from what I have seen is that trucks have less than 10 per cent of the market from Melbourne to Perth.

Mr PETER MORRIS—Given that most of your competition in the state of South Australia is from local road transport, what do you think will be the impact of the decision last week to provide part year registration for those road transport vehicles so they only have to be registered when they are off the farm? Do you think that will heighten competition for you?

Mr Chabot—Yes, it will to a limited extent. Our understanding is that the registration fees are a very small proportion of the total expense of running a truck. We feel it will have an impact on the margin only.

Mr PETER MORRIS—My friend Mr McArthur and I from time to time have discussions about this. A major part of the truck transport of grain is by farmers themselves at that carrying period during the year. If that is the major part of your business, how does that all fit together?

Mr Chabot—The grain industry is one industry where we have an awful lot of cooperation with the trucks. Almost all the grain we handle is brought from the fields to the country silos by truck. That is where the farmers' trucks are operating and that is where, we understand, there is a significant portion of these trucks that will not be used during the non-grain season, and therefore they will not pay for the registration. It will be that portion of it. When the larger trucks, the B-doubles, that are hauling from the silos to the port are not hauling grain, they are generally used to haul something else. That is our understanding. So we do not think the registration will have much impact on that portion.

Mr PETER MORRIS—I will look at it later, but that seems to me to be in conflict with evidence in submissions to us that the major competitor with rail transport of grain is road transport.

Mr Chabot—Yes, that is correct.

Mr PETER MORRIS—That is the major competitor?

Mr Chabot—Yes.

Mr PETER MORRIS—But it is not really a problem, is it? If that is not really a problem, then this

whole question of excise is not really a problem, is it?

Mr Chabot—To the extent that the registration fees are a very small proportion of the truck's operating cost where the excise tax is a very significant portion, we do feel it makes a lot of difference.

Mr PETER MORRIS—But you say the road transport of grain from those parts is not really a problem. You have already said 80 per cent of the transport is intrastate and much of that has to do with grain?

Mr Chabot—Yes.

Mr PETER MORRIS—I am getting a little bit confused with shipping from mode to mode. Is the service you provide a rail only service or are you providing a total transport service from point to point using other forms of transport? If not, do you propose to move into that area?

Mr Chabot—To date we are doing a little bit of trucking to grain silos. The vast majority of our business so far is purely rail from rail head to terminal. We are talking to some of our customers about providing additional services such as loading, unloading, local distribution, handling of containers and those types of things.

Mr PETER MORRIS—I would have thought that in your interstate market that that kind of service is really the service to concentrate upon—point to point, picking up the container, taking it to the rail head, delivering it at the other end.

Mr Chabot—That could well be a growing portion of our market.

Mr PETER MORRIS—That is the way the business is going in the States I understand. I think increasingly the rail corporations in the US are providing a total transport service not just a rail service.

Mr Chabot—The railroads themselves in the United States generally have not taken the lead role in it. It is more the steamships that have provided the door-to-door service.

Mr PETER MORRIS—But it is a total transport service?

Mr Chabot—Yes, it is a total transport service with the lead being taken by the steamship lines. Here the freight forwarders have filled that bill so far. We probably will not be looking to move into that market wholesale and compete with the freight forwarders when they are already filling a niche. What we will look at is in the bulk transport, bulk distribution and some of the other areas where there really is no lead player right now in that role.

Mr PETER MORRIS—Thank you very much.

CHAIR—I would like to explore the relationship with the NR and AN. You talked about the assets being withheld and you mentioned the rolling stock earlier. You say that ASR found that certain assets were

withheld and then leased back to Australian Rail Track Corporation. Can you elaborate on that a little bit?

Mr Chabot—That has to do with a couple of things.

CHAIR—Are we talking terminals?

Mr Chabot—Terminals that are in Alice Springs particularly that we felt in our purchase sale agreement should have come to us as they belonged to Australian National, and we felt the Charlick's terminal in South Australia and Adelaide which was kept by the state should have come to us. It has to do with locomotives. We knew they were not coming to us, National Rail nominated 16 EL locomotives that they took. We knew they were not coming to us. Immediately after the sale they turned those back to AN. Those 16 locomotives are currently sitting at Islington terminal when we could be using them.

CHAIR—Mothballed.

Mr Chabot—Yes, mothballed. They are a national asset that is owned by the government that is sitting idle while our customers are having to make do with old locomotives. So it is a series of items.

CHAIR—The inference there is that some people did not negotiate in good faith. Do you want to go that far?

Mr Chabot—The inference I make is that a company saw assets that could be used to compete with them and nominated to keep them out of the sale process and they are sitting as surplus assets right now. They could have been included in the sale. The government would have got fair market value for them if they had been included in the sale rather than withheld.

CHAIR—In the next round of privatisation, do you think that the federal government should perhaps put some of that excess rolling stock up for tender or auction?

Mr Chabot—I think that would be an extremely good idea.

CHAIR—Locomotives and rolling stock?

Mr Chabot—Yes, I do.

CHAIR—In job lots?

Mr Chabot—Yes.

CHAIR—And that would make a more equal spread of these assets across the rail system?

Mr Chabot—I think it would do that, and it would also increase the price that the government would get for the total package that would be sold.

CHAIR—Good point.

Mr WAKELIN—I am interested in the Genesee and Wyoming background and, of course, the tradition that you bring from the US. In your view, in relation to the workshops, the equipment and the technology that you have purchased at various locations, where are they at in terms of the rail industry, in terms of the historical? For example, I know that the Port Augusta workshop has some pretty old machinery; it has some pretty good machinery as well. How does it fit in terms of the international picture of maintaining our rail industry?

Mr Chabot—That is an extremely good question. I would like to answer it by first of all saying that in the United States Genesee and Wyoming has shops at each region where we operate railroads. We do the vast majority of our own locomotive maintenance. Here we made a decision to lease the shops to Clyde and hire them to do our locomotive maintenance. The reason we did is that, primarily, Clyde is in a number of different areas that we are not in. For example, if we had taken the Port Augusta shop and used it just for locomotive repair, we probably would have been operating a quarter of the shop. Because of additional business that Clyde has been able to bring in through their other businesses, that shop is now probably 40 per cent to 50 per cent occupied.

In terms of the quality of the equipment, I would have to say that in the United States we are short line operators who generally operate older locomotives and older shops with older equipment. So the equipment that we acquired here is, in general, more modern than the equipment we operate in the United States, but it is far from the state-of-the-art equipment that the class 1 railroads in the United States operate.

CHAIR—I would like to ask you for an observation based on your experience. You have been involved, as I understand it, with the re-nationalisation of part of the American system and then its disaggregation again, later; I would be interested to know which model you prefer. Do you think the fully integrated system that QR operates is better than the disaggregated entities that New South Wales operates? What is your experience in the United States with those types of operations?

Mr Chabot—My experience in the United States has been only with fully integrated railroads. On the railroads I have worked for, including a class 1 railroad, the railroad owns or leases its own track, maintains its own track and controls the trains on it. In South Australia we have taken over an integrated operation where we own the branch lines, we maintain the branch lines and we long-term lease the land that they are on, so we are a vertically integrated railroad.

We took over, under a partially integrated system, where Track Access was still doing the train control. They were charging us \$500,000 a year to do that. By making an investment of about \$25,000 in communications equipment, we have been able to take over control of our own trains with no additional staff and save approximately \$450,000 a year. We did that within four months of start-up.

We are also maintaining the track at a much different level than Australian National did. In some cases we are improving the maintenance; in other cases we are reducing the maintenance. Because of the trade-off in cost between the track maintenance and the operating costs, we can optimise the overall system by having a vertically integrated railroad. If we had Track Access controlling our track and setting the

maintenance standards on all the track at the same level, in some cases they would be overmaintained for what we need for a commercial standard, and in other cases they would be undermaintained. We also find that private enterprise is probably able to maintain the tracks quite a bit less expensively than the government enterprise.

Mr WAKELIN—And therein lies a very important point: you are commercially driven and driven differently from other models.

Mr Chabot—Yes. We focus the efforts we make in our train operations, in train control and in track maintenance on what our customers need, not on some abstract standard. So it is a commercial standard.

Mr PETER MORRIS—That sounds to me to be in conflict with your commitment to safe working practice. There are certain levels of maintenance of tracks to have below which you do not go, regardless of whether it is commercial.

Mr Chabot—That is correct, Mr Morris. There are certain levels you cannot go below. We do not feel we approach that at all. We have a lot of track that we are operating at 40 to 50 kilometres an hour that would be patently unsafe to operate at 100. Other track we are bringing up to 100 kilometres an hour because that is what the customer requires.

Mr PETER MORRIS—What you are saying, effectively, is that AN's maintenance standards were gold plated.

Mr Chabot—No. They maintained their track pretty much to a common standard. You could operate at 60 kilometres an hour, I believe it was, on all the branch lines. We are finding, in a lot of cases, that 60 kilometres an hour is not necessary. We can drop down to 50 and still meet our customer requirements, and do it safely. In a couple of cases we went up to 80 kilometres an hour. We are actually putting more on some of the lines than they did. We are doing it on a line by line basis on the commercial needs of that branch, rather than on overall engineering standards.

Mr PETER MORRIS—It will be interesting to see, in a few years time, how that pans out. Are you aware of the concept of Railroad Technologies Pty Ltd in Melbourne of a flat rail car—drive on, drive off—for trailers?

Mr Chabot—I am not sure exactly which one you are talking about. There are two or three different concepts.

Mr PETER MORRIS—Railroad Technologies were before us as witnesses at our Melbourne hearings. They put forward a proposed vehicle, which they are developing, which allows the trailer to be driven straight off, and it is at a very low level. You might recognise it from the diagram. I am wondering what you think of that concept and whether it is something that is within your purview.

Mr Chabot—I have seen this one before. It is very similar to what they call the iron highway that CSX developed in the United States. It is being used on a test basis. One of our affiliate companies in

Canada is doing the terminaling operation for one test between Montreal and Toronto and they are running it on a couple of other corridors. We are watching that closely. This has a lot of promise on the corridor between Melbourne and Adelaide, and probably between Melbourne and Sydney. It is generally thought to be a short-haul concept. It is more expensive and does not have the advantage that a double stack has on the long haul, for example, Melbourne to Perth. On the shorter corridor, such as Melbourne to Adelaide, it probably has a lot of advantages. We will be looking at this type of concept more as we go forward.

Mr PETER MORRIS—It might be useful to keep in touch with you. Thank you very much, Mr Chabot.

Mr WILLIS—Mr Chabot, I heard what you had to say about the beauties of an integrated operation. It seems to me, the other side of the coin is that, when you have the ownership of the line, then you obviously have monopoly control. If we want to have a competitive system, then it seems to me that the argument that goes against your desired integrated operation is that there is obviously an incentive for the owner of the track, who is also an operator, to keep other operators out to maximise their own operations. If you want a competitive regime, it seems to me that there is a very good case for saying that we ought to divorce ownership of the operation from ownership of the track. You might like to comment on that.

Mr Chabot—I have heard that argument before.

Mr WILLIS—I am sure you have.

Mr Chabot—When we acquired the track in South Australia, it was made very clear to us that we do not have a monopoly on it, that we will have to allow a competing railroad company to use our rail. The only thing that has not been determined is what they will have to pay us for it. To the extent that they can pay us a fair return on the capital we have invested in there, plus the maintenance cost, we feel we can be very competitive and we are very willing to open it on that basis.

Mr WILLIS—I notice that what you say about charging for the access rate is very much against the thrust of submissions that have come from various operators who have said, if they have to pay anything like those rates involving returns on the capital invested, et cetera, that they would never be able to make a go of it and that rail would basically not be a goer in the future in Australia. One operator actually said that the only way they could become efficient is if there is a zero access charge. By setting the hurdle reasonably high, you are probably ensuring that there are not too many competitors getting onto your lines.

Mr Chabot—Again, I will go through a couple of numbers. In terms of infrastructure, we will be spending over \$7½ million this year, just in maintenance of infrastructure, not even in capital improvement. To the extent that we would be forced to let other operators operate on a track and take all our business away, and only pay us \$2 million or \$3 million, I think everyone would agree that that would be completely unfair. It really gets down to the fact that if another operator feels they cannot operate unless they have zero access costs, they are not an efficient operator.

Mr WILLIS—It gets down to whether it is a good idea to have private owners of track rather than government owners who might be prepared to do it on a subsidised basis. There is obviously an argument of

substance there.

Mr Chabot—Even if it was going to be subsidised, we are finding out that our maintenance costs are substantially below what Australian National's were. Our costs for installing a sleeper is about 60 per cent of what theirs were. That sleeper does the same amount of work once it is in. We do that by more efficient practices. We think the private sector can operate more efficiently than government.

Mr WILLIS—You said very briefly that by investing \$25,000 in track and operating improvements you would save \$450,000. Would you like to explain that more clearly? I did not get the point.

Mr PETER MORRIS—Per annum or ongoing?

Mr WILLIS—Per annum ongoing is the way I took it. Can you explain that further to us?

Mr Chabot—Australian National had a contract with Track Access to control the trains on the branch lines. Under that contract, Australian National paid Track Access \$500,000 a year. We took that contract over, so we were obligated under the contract to pay Track Access \$500,000 a year to control our trains. By making an investment of about \$25,000 in communications equipment and a microprocessor—a PC—we were able to take that function over on 1 February. We have some communications costs and other costs that we estimate are running at about \$50,000 a year to do the train control now. We are paying about \$50,000 a year to do something that we would have paid Track Access \$500,000 for, so we are saving about \$450,000 a year.

Mr WILLIS—I understand the point. The other point is, in relation to those 14 locomotives that were denominated by NR and went back to AN, have you offered to buy them?

Mr Chabot—Yes, we have.

Mr WILLIS—What has been the reaction?

Mr Chabot—We were told that they are under lease, and Australian National is attempting to buy out those leases and put them up for tender.

Mr WILLIS—So they are going to sell them eventually?

Mr Chabot—Eventually, they will sell them. In the meantime, we have been able to lease two of them on a short-term basis.

Mr LINDSAY—Private businesses which deal with railway freight operations say to me that the larger the freight terminals become at the end of railway lines, the more inefficient that they run, the lower the customer service standards, the more difficulty the customers have in dealing with the operations of those terminals and getting their own business running. Would you agree with that? Would you think that in the major capital cities a number of small freight hubs is better than a large freight hub?

Mr Chabot—I do not have enough experience to answer that. The only terminals we have operated have been small ones. We have seen some efficient large terminals and some very inefficient large ones. I do not want to generalise.

CHAIR—Thank you for giving evidence here today. It has been most helpful and it is stimulating to know that there are private operators who are giving a new vision of rail in Australia. I trust that if we have any further questions you would respond in writing?

Mr Chabot—I would be pleased to. I would like to make one remark in conclusion. A statement has been made at a number of points that the private operators that are buying Australian railroads will not be here in five or 10 years, and that the rails will be left in terrible shape when we leave. Genesee and Wyoming is here for the long run. We have operated one railroad in the United States for 99 years, and I believe that railroad is probably in better shape now than it was 99 years ago. We will make the investment in the track. Some of the track may not be operated at as high a speed as it used to be, and that will be because it is not commercially necessary. Some of the track will be operated faster; we will build spur lines into customers; we will buy new wagons; we will buy additional locomotives; we will upgrade our fleet to serve the customers and to bring new industry and to make the industry that is here more competitive. We will be here for the long run.

CHAIR—Thank you very much. That is very encouraging.

[1.50 p.m.]

DINGLE, Mrs Margaret, Secretary/Treasurer, People for Public Transport South Australia Inc., 120 Wakefield Street, Adelaide, South Australia 5000

CHAIR—Welcome. Although you are not under oath, these are proceedings of the House of Representatives and demand the same respect as those functions of the parliament. Do you have any additional statements to make, or would you like to give us a short overview? Do you have any additional material?

Mrs Dingle—No, but I would like to make a short statement. I think you have received the supplementary submission that I sent recently.

CHAIR—Yes.

Mrs Dingle—Thank you for giving me the opportunity to appear before this committee. It is important that our transport system reflects ecologically sustainable development principles and also gives good value economically. I was somewhat concerned by a government publication on greenhouse that projected a 40 per cent to 50 per cent increase in greenhouse emissions from transport to the year 2015. Granted that we will have an increase in population and may have economic growth, it still seems a great deal.

I think efficiency is very important. Rail is more fuel efficient for freight than road or air transport and more fuel efficient than the private car and air for passenger travel, rural and urban. We view with concern a recent proposal to remove taxes on aviation fuel while railways are still paying fuel excise as it gives an unfair advantage to the less environmentally desirable mode of travel—that is for passenger transport. Admittedly, some forms of freight do have to go by air.

The saving of fuel has both economic and environmental benefits. Evidence suggests that for freight, at least, rail upgrading gives better value for money than highway upgrading. Urban transport accounts for approximately half the fuel use, so it is very important—it is not just a little extra. Rural rail travel has tourism potential as well as the potential for reducing car volumes on roads.

I have two extra comments to make on my submission. In relation to page 1, the Friends of the Belair Line have advised me that one extra passing loop between Millswood and Unley Park would increase reliability of the Belair urban passenger service. Some time prior to this I was advised that the estimated cost of the loop, minus signalling, would be about \$600,000. On page 6 of the submission, ‘carbon dioxide’ should read ‘carbon dioxide equivalent’. I also note that the page references to People for Public Transport’s submission into the inquiry on federal road funding refers to pages printed in the submission books—it is not that we have been giving novel-length submissions. When it refers to page 2,000 and something, the government publication and not our own submission is being referred to. That is the end of my opening comments.

CHAIR—Could you get us a map of the loop line you spoke about? It has been mentioned in

evidence a couple of times. I do not quite understand the significance. That would be helpful.

Mrs Dingle—Yes, I could give you a map of that.

CHAIR—Can you describe verbally what the significance of it is?

Mrs Dingle—This is a suburban commuter service which used to run on the double track before standardisation. I think four passing loops were put in to help the suburban train run on one track. I believe there was some dispute—and I do not quite know what happened—between Australian National, the state government and TransAdelaide. The upshot was that there were four passing loops but these seemed to be inadequate, and the service has become less reliable. They also closed three railway stations, which did not please a number of the commuters. If they put one more passing loop in and reopened the three stations that would make things a lot better. I think they are losing patronage because of this situation.

CHAIR—I wonder if you could tell us what your knowledge is of the cost of the suburban commuter service to South Australia; do you have any figures on that?

Mrs Dingle—I do not have any here. I do have some figures on the budget of passenger transport board of TransAdelaide which I could probably get for you. Would you like me to get them for you?

CHAIR—No, I just wondered what your perspective was.

Mrs Dingle—My perspective is that it costs some \$200 million a year to run the passenger service, although we get some of it back from fares—

CHAIR—I will tell you what stimulated me to ask that question. You say in your submission:

The concept of CSO needs to be redefined in the light of a comprehensive transport policy . . .

And that there may be social and environmental benefits in maintaining or introducing apparently unprofitable services.

Mrs Dingle—Although you may say that a loss is technically being made on running a public transport service, there are other costs. If because the public transport service is not good people use their cars more, then you might have to build more roads, you will have more air pollution which can affect human health and you will have greenhouse emissions affect the climate and it may affect the agricultural sector. There are lots of externalities which are not included in it. So even though your public transport system may appear to be making a loss, we might be worse off in the long run not to have it.

CHAIR—Do you have any examples of it?

Mrs Dingle—There is an example that I quoted in my submission. In the 1994 BTCE report—I think it is chapter 15—it says that if you reduced public transport fares to 80 per cent of current levels, you would save four per cent of greenhouse emission equivalent and there would be net social benefits largely from

reduced traffic congestion. But there are social benefits in investing money in a public transport system even if it does not seem to be on the face of it profitable.

CHAIR—What do you see the Commonwealth's role being in all this?

Mrs Dingle—I think the Commonwealth should be prepared to help fund the states' public transport systems. I do not think they should fund everything. They have spent money on upgrading the highway through the Hills. They spent \$138 million for a short stretch of road to even out the Devil's Elbow. I think that is mainly for the benefit of trucks because semi-trailers keep tipping over in the Hills.

The Commonwealth should invest in the main rail corridor. Also, the states have limited money. While they tend to be able to get some money out of the federal government to upgrade a highway, they do not seem to have any money for capital investment in public transport. So we do not get a new railway or a tram line extended—this has happened in South Australia. When an operator buys new buses, it is because they are phasing out the old ones. It does not mean they are going to get more buses and produce a more frequent service. The state of public transport is fairly stagnant, but the states can get money for road building.

Mr HARDGRAVE—But that is the key to the whole thing, isn't it? There is a lack of commitment because there is a lack of planning, a lack of working out priorities and I guess a lack of interest in setting goals and targets as far as public transport is concerned.

Mrs Dingle—Yes, I think so. It is a long time since there has been government money committed to capital public transport work in South Australia.

Mr HARDGRAVE—If there is a real public benefit in the use of public transport, if you dropped the price of catching a state government bus or a train down to nothing, do you think that would really increase the number of people using it?

Mrs Dingle—I am not sure. It may well increase people's use. However, the reasons that people do not use public transport are the low frequency of many of the services and when you want to change from one bus to another bus or from a bus or tram to a train there is not very good interconnectiveness across suburban services. Another factor is that parking is very cheap. There has been poor town planning in that a lot of the suburban centres have enormous car parks where you can park free. There is also a fair bit of car parking in the city which often reduces its prices to make it competitive with public transport on the face of it. So if you have to pay \$5 to park all day instead of two people going in there and back on the bus, unless you have a multitrip or something it makes it seem cheaper to park the car. People think about the petrol costs but they do not think about the mechanical repairs and depreciation of their car.

Mr HARDGRAVE—Sure. But in many ways that confirms the thesis that I put to you that there are things other than just the cost of buying a rail ticket: there are conveniences or lack of; there are scheduling imperatives; there are stations where the train goes and where the train does not go; and, by your own evidence today, there are stations being closed. It still comes back to a lack of planning and thinking through various modes of transport, how they connect and the service they are meant to provide.

Mrs Dingle—I think so. Although Adelaide has only three or four suburban railway lines, there are not very good feeder services to them. In some cases you get a bus running parallel to the rail. I think there is a lack of coordinated planning of the city and of the public transport system.

Mr HARDGRAVE—When you say in your submission, as the Chairman mentioned, that the concept of CSO needs to be redefined in the light of a comprehensive transport policy, your contention is that there are so many social, national benefits that can come from a proper coordinated public transport system that are not being realised at the moment.

Mrs Dingle—Yes, that is correct. Also, CSOs do tend to refer to the disadvantaged. Governments say, ‘We will give a public transport system for the pensioners, the unemployed and the students.’ But what about the other people who can afford a car but really ought to use public transport some of the time?

Mr HARDGRAVE—So organisations like yours would certainly welcome investments by companies from overseas—such as the witness that preceded you, G&W’s investment—to keep alive rail infrastructure; is that right?

Mrs Dingle—Yes. Basically, I am not terribly concerned about whether the public transport system or the railways are owned by the government or by private enterprise. My main concern is that we have good services, provided that we do have safeguards to make sure that private enterprises do not shut down the unprofitable ones.

Mr HARDGRAVE—That is your CSO—

Mrs Dingle—Yes. If the government does a good job, then it does not worry me that it is government owned.

Mr HARDGRAVE—Thank you very much.

Mr LINDSAY—Mrs Dingle, following on from that: you are confirming that your association believes that private enterprise can provide a public transport passenger system?

Mrs Dingle—We do not actually go that far. We sort of sit on the fence on privatisation when it comes to urban public transport. My feeling is that the government operator, TransAdelaide, has somewhat pulled up its socks since it had competition. But we do not necessarily mean it should be run by private enterprise. We would be perfectly happy if we had a good government-run public transport system in Adelaide. It is the quality of the system. If it works, then a privately run system would be acceptable.

Mr LINDSAY—You would be perfectly happy as well?

Mrs Dingle—Yes, it is the quality of the system rather than the ownership. I suppose I am personally a little suspicious of private enterprise because the profit motives might interfere with the community service obligations.

Mr LINDSAY—Are you suspicious of the public process because of the loss motive?

Mrs Dingle—No, I am not suspicious of the public sector because of the loss mode. If the government pushes them and says, ‘We want a good public transport service you, better provide it,’ then I am sure they would do it.

Mr LINDSAY—In your evidence you talked about the necessity to provide or acquire transport corridors. Who should do that? Whose responsibility in the rail system is it?

Mrs Dingle—I am not saying we should acquire public transport corridors; in fact, we have already got them. I think they should be kept for public transport, not used for freeways. There was a lot of land set apart for the MATS plan.

CHAIR—Are there corridors in Adelaide—

Mrs Dingle—There was the MATS plan. I am not sure whether they still have got all the land.

Mr LINDSAY—But you answered yes to the question: should the government acquire transport corridors? Then you just said that you did not say that, but it says in your evidence you did say that.

Mrs Dingle—I said yes. I meant that, if you have land available, you should not sell it off. That is the main thrust of what I meant. If there is a possibility to acquire transport corridors for urban rail or for rural rail, that is good. But I just do not think that we should go out of our way to bulldoze thousands of houses to do it. If there is vacant land available and it is along a suitable route, then the government certainly should acquire it.

Mr LINDSAY—In your evidence you also said that urban public transport could also receive voluntary funding from commercial beneficiaries and you give us an example of shops at railway stations. Do you really think that is a realistic scenario?

Mrs Dingle—I have heard that this has happened overseas. I do not know whether it has happened in Australia. Overseas they actually contribute towards the public transport because they get benefits from it such as they do not have to provide parking for their workers or they get more people at their shops. It may not work in Adelaide, I do not know, but it has been done in some overseas countries.

Mr McARTHUR—How can you persuade members of the public to use public transport?

Mrs Dingle—There are all sorts of ways. One is to make it more frequent and convenient and possibly make the parking a little less convenient. Also you need to raise the social status because it is tended to be regarded as the method of transport of last resort by a number of people, whereas in some countries—for instance, the Netherlands—they have an eco ticket and it is looked upon as a good and socially acceptable way to travel. I believe even in Melbourne people go to the opera on the trams. In Adelaide I know a number of middle-class commuters use it. There is a tendency for the authorities to look at it as the sort of transport we have to provide for people who do not have cars. I think we have to change the culture there.

We also need to make it more frequent and better connected. Perhaps we should put some new routes in which go where people want to go. There is a lot of cross-suburban travel and the public transport system does not really provide for it. It has been used by the authorities as a reason to say, 'We'll just have to build another road. We can't provide public transport because not everybody is going to the city of Adelaide.' They could perhaps put a new cross-suburban route in where people do go.

Mr WILLIS—Mrs Dingle, when the O-Bahn system was brought in it was seen as a bit of a revolution in urban transport. How successful do you think that system has been? Can you explain to us also how exactly the system works and what improvements in it could be made?

Mrs Dingle—It is a guided bus way that goes between Adelaide and Tea Tree Plaza. There are other buses that go beyond there or the same bus goes further to various other suburbs. Between Adelaide and Tea Tree Plaza it works pretty well. I have heard complaints that the other buses that go beyond it are not so frequent. We are not terribly in favour of having more O-Bahns; we would prefer to bring back some trams. Rail public transport seems to be more popular than buses. In Perth, they built a new railway, which is an electric railway, heavy rail not light rail, and I think that patronage increased 40 per cent over the previous bus system.

Trams are probably cheaper and easier to introduce than trains, because you do not have to have a dedicated track, the rails are lighter, and so forth. I think it was a mistake to get rid of Adelaide's trams. I think we should introduce them on some routes at least and definitely extend the Victoria Square one to North Terrace, because it is stupid having it stop in the middle of the square and not go right through the city.

Mr WILLIS—Is there just the one O-Bahn system?

Mrs Dingle—There is just one O-Bahn system. There is another experimental one in Essen and I think there is one in South America. It is virtually unique in the world.

Mr WILLIS—You obviously do not think it has been much of a success.

Mrs Dingle—It seems to be quite successful and popular with tourists, at least the O-Bahn part.

Mr WILLIS—What are the advantages of light rail over an O-Bahn? Could you explain that a bit more?

Mrs Dingle—I think it is a bit cheaper; it is less use of material. You can walk across the track although you have to be careful not to get run over. With the O-Bahn, it is all fenced off. Nobody can get near it unless you get on at the very distant stations. There is loads of concrete, whereas a tram can go just about anywhere and it can stop anywhere.

Mr WILLIS—It usually does it a lot more slowly.

Mrs Dingle—Some of them are quite fast. The modern high speed light rail is quite fast, and you

would not like to get in the way of that, but I think it is a less intrusive system.

Mr McDOUGALL—I was interested in your answers to Mr McArthur in regard to how to get people onto public transport. I will give you an instance. They built high speed ferries in Brisbane and put about eight of them on the Brisbane River specifically to pick up the university students from Queensland University and take them down to the city and to the suburbs in which they live to try to get them off the road. The university went ahead and built a new car park at the same time, and the university students cannot get on the ferry because the ferry is full of tourists. So all of a sudden the public transport system got blown out of the window.

Now, from the same place to the university on a different system, they are going to put a light rail. I was interested in your comments on light rail. It is going to be a one-off light rail. It is going to run from point A to point B and it is going to run through the city. My prediction is that it is going to be another tourist junket and the students will not get on that either because the university still builds car parks and the university kids like driving cars. How do you change people? You can put public transport systems in and they do not use them.

Mrs Dingle—The tourists obviously are using it. One could simply put an extra ferry boat or an extra tram on. That might cost a bit of money, but it is simpler than building a complete new system. It is certainly a matter of education, but if the tourists are using it at least it is being used. I think we have to educate the public as well as providing the system, but if you educate the public and keep your hourly bus, then only the very dedicated and those without a car are going to use the hourly bus.

Mr McDOUGALL—I am waiting for somebody to come up with a cultural change to educate the people.

Mrs Dingle—Yes, that is important, but it is not everything.

CHAIR—Mrs Dingle, thank you very much for your evidence today. It has been very helpful. Thank you for the amount of work that you have put into that and for the frankness with which you have answered the questions. If we need to contact you again, I trust you will respond in writing to us.

Mrs Dingle—Yes.

CHAIR—Thank you once again.

[2.15 p.m.]

BUTLER, Ms Margaret, Manager, Policy Development and Evaluation, City of Unley, PO Box 1, Unley, South Australia 5061

GREEN, Mr Ronald John, Chief Executive Officer, City of Unley, PO Box 1, Unley, South Australia 5061

CHAIR—Welcome, Mr Green and Ms Butler. I just have a couple of general things I wish to say. This is a committee that is advising the government on five terms of reference. We are not a lobby group for either the state or federal government as such. Perhaps there has been some misunderstanding by some community groups of what our role is. We are taking evidence from 11 days of public hearings and 135 witnesses right across Australia. While it may be that we refer to a particular location or particular length of track, we are not a lobby group per se.

Mr Green and Ms Butler, although you are not under oath, these proceedings have the same force as those of the parliament and warrant the same respect. I trust you would be aware of that. Would you like to give us a short three to five minute statement on your submission?

Mr Green—I think I can do it a bit quicker than that.

CHAIR—You will be very popular with our secretary if you can.

Mr Green—Ours was quite a short submission—certainly short compared with some of the others. It was stimulated by our experience in dealing with the changes to the train services and the impact that had on our local community as a result of the new rail gauge service that came into Adelaide and the preference given to the freight system.

I hope we have been able to get across in our short submission that our main concern is planning, and the gentleman picked it up in questioning the previous witness. If we are going to make changes, it is important to consult with local communities and find out the impact these macro decisions will have on the little communities such as ours. It was particularly frustrating, from our point of view, that there were, I would say, unintended consequences as a result of the changeover on the Belair line. There were some problems which severely impacted on a few people in our community who live adjacent to the train line. Their amenity was affected severely and it took some 18 months to correct what was obviously a problem for them.

Two of the railway stations were closed as part of this process. We find it interesting that we now have people asking to have at least one open—they would prefer to have them all open—but there is a change in ownership of a major institution, which requires better access to the rail system. The railway station, which is some 50 yards from where their premises are, is no longer available to them. To our way of thinking, whatever happens with the study, we would be advocating proper planning and thinking about federal, state and local government issues.

CHAIR—Thanks very much for that. I am a bit lost to understand exactly what happened when the standard gauge line went through. Did that become the one corridor for freight and also interstate passenger traffic?

Mr Green—And also the Belair line, which runs from the hills in the south-east, and that services all the southern Hills area. That comes into the Adelaide railway station. Apparently, there was some problem with timetabling as a result of the change of gauge. The government at the time—and I think they were supported by the previous government—indicated that the only way they felt that safety could be assured was to close two railway stations and create loops. It would be fair to say that many people in the community still do not understand why that particular decision was made in the way it was, but that is history, and people are just getting on with their lives and they are not really interested now.

CHAIR—Other than that, what is the main thrust of your argument? You have illustrated that point of your own, but what do you see as the role of the Commonwealth in the suburban commuter transport system?

Mr Green—The operations of it?

CHAIR—No, the funding.

Mr Green—I do not think we have turned our mind to that. We accept that that is an issue for this committee, but we did not really turn our mind to it.

CHAIR—We are inquiring into the role of the Commonwealth in these matters. We need some advice from you if you feel that the Commonwealth is not fulfilling its role in that field. Do you have that feeling?

Mr Green—Based on the experience of three years ago with the changes, I think the Commonwealth should have set aside funding to alleviate the negative impacts on the amenity that their changes brought about. It took some 18 months to acquire the funding to remedy some of the problems that we had in the city of Unley. In this particular exercise, if changes are mooted, I would argue on behalf of my city that the Commonwealth should be setting aside funding situations to preserve the amenity of affected groups.

CHAIR—How well served is the city of Unley by other aspects of TransAdelaide? Has it deteriorated as a result of the closure of this train line?

Mr Green—I think the residents would say that it has deteriorated, marginally.

Mr LINDSAY—How many staff do you have in your council?

Mr Green—We employ 152 people.

Mr LINDSAY—In your evidence you referred to ‘the care and creative use of the open space occupied by the rail network’. I have not seen that in any other submission. Can you give me some idea of what you think about creative use of the space occupied by the rail network?

Ms Butler—We had a study of our open space strategy and plan for our city. As part of that, there was quite a lot of discussion about land that was traditionally used—and the railway line was cited as one of those—for walking and bike riding. The railway land has been used that way for generations. It was said that there was a great opportunity to beautify those areas and make them not really more accessible, but safer and occupied legitimately for recreation purposes. That was the source of the comment.

Mr LINDSAY—Would you support the rail corridor being used as a multi-use corridor? It might carry electricity or gas, or bulk materials through pipelines. Would you support that as a council?

Mr Green—Our council certainly would because we are heavily committed to putting all the cables underground, and that would be a way of accomplishing that and feeding off that particular area, and certainly there are other forms of transport you could use the corridor for.

Mr LINDSAY—Do you see that as an efficient use of a community corridor, basically?

Mr Green—Subject to proper studies being done, yes.

Mr LINDSAY—Mr Green, you say that you believe there is a prevailing view in the community that the majority of ownership of essential infrastructure such as rail should remain in Australian hands. Why is that so? Why do you believe that the community thinks that?

Mr Green—I was very careful to put that that was my view.

Mr LINDSAY—And I was very careful to say that it was your view.

Mr Green—I guess it is a philosophical position more than anything. I think that if we can generate the investment from Australia, that is a preferable position to have.

Mr HARDGRAVE—How many people are actually using the service? Is it the old saying, ‘You don’t know what you’ve got until it’s gone’? If two stations close and people complain, were they being well used?

Mr Green—As often happens in local government, this was not an issue that we were totally across when the problems arose, so we busily gathered data. There were three stations closed; one of those was in our particular area, another one was on the border of another council area. I would have to say that the Millswood station we are referring to was not well used, in my opinion, at the time. However, it has come out since that people were not using the station because the services were not right for them. In reference to Mr McArthur’s question about how you get people to use it, I think the first thing you do is to talk to them.

I am not involved in the Friends of the Belair Line but, in representing our community, one of the interesting things for me since I have been involved in this has been the refusal of people in government to have a proper consultation process. If you talk to people and work through the issues with them, you may well get a different result than what you have at the moment. You may be in a position to get people to use the facility more if you listen more to what the commuters are saying.

Mr HARDGRAVE—With that comment, I think you have probably proved the case of why local government prides itself on being close to the people. So, well done, and well said. If there is now a great underlying concern as to the lack of access to commuter or passenger trains from places like Millswood, which does not seem all that far from the Adelaide GPO—according to this map I have here, it seems as though it is only an inch and a half—

Mr Green—It is not far.

Mr HARDGRAVE—With the greatest of respect, I have to say that I know that certainly the councils up my way in Brisbane like to empire build and do all sorts of things that councils traditionally do not do. Would council consider talking to the people and maybe looking at sponsoring someone or trying to find someone, as Mr Lindsay suggested, who might be interested in using the corridor for another purpose, like a light rail?

Mr Green—Our council's performance would indicate that they would. I would also like to add that we also provide an east-west transport service at no cost to our community. We call it a community bus, but it is a fixed route service.

Mr HARDGRAVE—How long have you been doing that?

Ms Butler—For about 15-odd years.

Mr HARDGRAVE—Do you know whether there has ever been a charge on that line in years past?

Mr Green—On our line?

Mr HARDGRAVE—Yes.

Mr Green—It is a community bus so it is a silver coin—20c.

Mr HARDGRAVE—The only reason I ask is that it seems to me that if you dropped the price to nothing, over time, public transport still will not necessarily increase its patronage and that there are other matters. Do you have any research or anything that you might be able to give to the committee to prove one way or the other whether or not cost is a factor in people's minds—whether convenience is more important than a cost?

Mr Green—We will follow that through for you. So it is convenience versus cost?

Mr HARDGRAVE—That is just a thesis I was trying to develop. I do not expect you to have an instant answer, but you could go back through council records.

Mr PETER MORRIS—Mr Green, what electorate is the city of Unley in?

Mr Green—Federal electorate?

Mr PETER MORRIS—Yes.

Mr Green—It is entirely within the electorate of Adelaide.

Mr PETER MORRIS—I was looking at your map which has Port Adelaide, Makin, Sturt, Boothby, Hindmarsh.

Mr McDOUGALL—In your submission, in one of the dot points, you say:

In developing a comprehensive transport strategy, local services and needs should not be ignored by the Commonwealth.

I understand your unique position from the rest of Australia. I think where you are coming from is that it should not be ignored by the Commonwealth because, really, the Commonwealth owns the railways anyway. Therefore, maybe that is the reason you make that comment.

If we were to apply that same principle to the other states, the states would probably tell us to get out of strategic planning of transport and leave that responsibility to them and for us to just give them the money, and I think that would be a fairly common view. Maybe we should coordinate a strategic plan. Is your comment overshadowed by the fact that the Commonwealth owned it? Do you think that your state does enough through its transport department and all the other bodies it has to do the strategic land transport needs, and therefore the Commonwealth's role is more at a funding level than a strategic planning level?

Mr Green—In relation to metropolitan area services?

Mr McDOUGALL—Yes.

Mr Green—Yes. I think the federal government is more related to funding. It is more incumbent upon the state and local authorities to cooperate in terms of planning.

Mr McDOUGALL—Be honest: do you get enough cooperation out of the state in relation to strategic land use and transport planning?

Mr Green—I think it could be better.

Mr McDOUGALL—Why didn't they fix the problem?

Mr Green—I would not have a clue.

Mr McDOUGALL—You raise a couple of very interesting points. In your second dot point—

Mr Green—Sorry, you mean the problem in relation to this particular issue here?

Mr McDOUGALL—You raised that particular issue. I saw that point as related to that problem.

Mr Green—In fact, I am being a little unfair on the minister. Minister Laidlaw and I had numerous discussions and, in the end, she did fix the problem for us.

Mr McDOUGALL—In your second dot point you raise issues which I believe to be very important including issues such as noise and the transportation of dangerous goods. I have never found anybody to answer the question of noise. It does not matter whether it is aircraft, railway lines, trucks or roads. It does not matter. I cannot come up with an answer. Maybe you can help us there. I am very fascinated by your comment about the transportation of dangerous goods where you say:

We seek assurance that standards will be improved, rather than diminished over time, particularly in relation to dangerous goods . . .

Are you saying there that you feel that dangerous goods should not be on rail or that they should be but the standards that currently exist are not good enough? Obviously you relate that to where the lines run through residential areas. Could you go into a little more detail of what made you make that comment?

Ms Butler—I am picking up on comments I heard from the community group, the Friends of the Belair Line in particular, where they were interested in the recreational, aesthetic and environmental aspects of the whole issue. From that, they moved on to talk of dangerous goods. The concern behind it was that, if these services were privatised, would the standards of that detail be built into contracts in future? Would rail be used to transport things in the future that they are not currently used to transport? There was some concern through speculation about what the future might hold in a privatised service, which is what that is, perhaps in a poor way, alluding to. Also, it is just trying to illustrate the concern that our Hills area, which that particular line goes through, is heavily residential. The noise and so on is a factor because people live so close to the line.

Mr McDOUGALL—We have this unbelievable culture in Australia that, if you build a road, you build a rail line or you build an airport, the first thing the people do is go and build a house next door to it so they are close to it. That is part of our culture. You may remember that someone tried that in Melbourne some years ago. They built an airport out at Tullamarine by taking over two farms. There were no houses. Now there are houses being built right underneath where the wheels come down. People are very funny creatures of habit. How do you build things in corridors and then prevent people from actually going and living there and then complaining?

Mr Green—With respect, the answer is with people such as yourselves. You write the laws—

Mr McDOUGALL—Sorry, we do not write town planning laws. Town planning laws are the responsibility of local government.

Mr Green—Okay, I am starting at the top. Certainly the issue that you raise is one that we face once a month. We have our planning committee and you say, ‘Why on earth?’ but it really lies with the people who make the decisions, I would suggest.

Mr McDOUGALL—There has been a fair bit of comment in the evidence we have taken that people

want to see dangerous goods go on the rail because they think it is safer than them going on the road.

Ms Butler—That is why those who are interested in this inquiry are concerned that dangerous goods currently on roads might end up on the railways going past their homes. I think it gets back to an integrated service, a coordinated plan. Obviously, the goods have to get through somewhere, past someone's house. I understand your point. Also, with respect, the houses in the Adelaide hills were pretty close to this line in the horse and buggy days, but that is an aside. I think there needs to be an effort on the locals' part to project themselves into the terms of your inquiry and think, 'What if we have privatisation? What if?' and think about the changes and then reflect on their own local concerns.

Mr McDOUGALL—On that basis, are you saying it should be the Commonwealth's role to set the standards for Australia's railway transport system, what should travel on it and what the conditions are? Or should it be left to the states and particularly, say, a state that does not have any railways anymore and that are privatised? Who should then take over the responsibility of setting the standard?

Mr Green—We have said in our submission it should be with the public sector but, off the top of my head, you should have the regulator positioned in the best possible position. There would be certain things that should be done federally and there would be other things best done at the state level. Dangerous goods are as dangerous in Adelaide as they are in Brisbane or Darwin; therefore, I would suggest to you that it should be done federally. There should be a national policy on dangerous goods.

Mr McARTHUR—In view of your local government experience, you might be able to guide the committee. We have had trouble in Sydney getting a dedicated freight line to move through Sydney at various times, be it travelling at night or be it having a dedicated track to get the freight through. What would be your recommendation to this committee, in view of your exposure to this argument about the Friends of the Belair Line, when the Commonwealth and states agreed to have an interstate line running through your suburb? What are you going to suggest we do? Do we have a dedicated line, do we have local traffic, do we close it up, or what do we do? Can you guide us, given your experience at the local level?

Mr Green—I think our people would say a dedicated line, because if you had a dedicated line, their Friends of the Belair Line might have remained where it was, which was their preferred position.

Mr McARTHUR—So you could build a new line altogether. Why don't we do it the other way? Why don't you have a dedicated line that might take over those couple of stations? You have two alternatives. Which one are you going to take?

Mr Green—I do not want to solve the problems of Sydney. I would have to say, excuse the expression, that the horse has bolted and I do not think the Australian community can now afford to go back and spend, as I understand it, in the order of \$1 million or \$2 million to have that dedicated freight line. It has gone now. It has happened and we have to try to make the best out of what it is. If these sorts of circumstances occurred again, based on our experience, I think we would have to say there should be a dedicated freight line.

Mr McARTHUR—And you would provide money from the local government to help us?

Mr Green—That is a very interesting question, but we are happy to talk about it.

CHAIR—Was there capacity within the corridor to have a freight line?

Mr Green—In my view, there is, yes.

CHAIR—There was room in the corridor?

Mr Green—I believe there would be.

CHAIR—And still is?

Mr Green—Yes, there has been no change to the area. You might have to reconfigure certain aspects of the current line to accomplish it, though.

CHAIR—I would like to thank the city of Unley and in particular Mr Green and Ms Butler for their evidence today. It has been very helpful. It is good to see community organisations, especially city councils such as your own, taking an interest in these matters. If we have any further requests for information, we trust you will respond to us in writing.

Mr Green—Yes.

Resolved (on motion by **Mr Peter Morris**):

That this committee authorises the broadcasting of this public hearing and the publication of the evidence given before it on this day.

CHAIR—On behalf of all those who have attended today's hearing, the committee wishes to thank you for your attendance and your participation. I declare this public hearing closed.

Committee adjourned at 2.40 p.m.