

[PROOF]



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Role of rail in the national transport network

PERTH

Wednesday, 22 April 1998

PROOF HANSARD REPORT

CONDITION OF DISTRIBUTION

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

Members:

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

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

Matters referred for inquiry into and report on:

(1) How current administrative, institutional, operation and pricing arrangements can be improved to promote effective and efficient use of the national rail network, and to investigate the role of the Commonwealth and states/territories in achieving consistency in these areas.

(2) The opportunities to increase the participation of the private sector in the rail industry.

(3) The opportunities to maximise access to, and utilisation of, the rail network.

(4) Effective investment and ownership arrangements for the rail network.

(5) Characteristics of international best practice in rail operations.

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WITNESSES

ANGELUCCI, Mr Joe, Operations Manager, Rail Division, John Holland Construction and Engineering Pty Ltd, 10th Floor, Durack Centre, 263 Adelaide Terrace, Perth, Western Australia 6000	1072
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Role of rail in the national transport network

PERTH

Wednesday, 22 April 1998

Present

Mr Neville (Chair)

Mr Hollis

Mr McArthur

Mr Lindsay

Mr Randall

Mr McDougall

Mr Willis

The committee met at 8.34 a.m.

Mr Neville took the chair.

1025

DELL, Mr Edwin, Manager Agreements, Special Projects and Advisory Services Division, Department

of Resources Development, 168-170 St George's Terrace, Perth, Western Australia 6000

SUTTIE, Mr Geoffrey, Director, Special Projects and Advisory Services, Department of Resources Development, 168-170 St George's Terrace, Perth, Western Australia 6000

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform in its inquiry into the role of rail in the national transport network. This is the 12th day of public hearings. We are hearing today from those companies based in Perth in particular and in Western Australia in general.

In opening these proceedings, I would emphasise that, in addressing the terms of reference, the committee's role is not a lobby to the Commonwealth government or, for that matter, to any other government in support of individual 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.

On behalf of the committee, I welcome everyone here today, witnesses and members of the public. Our first witnesses represent the Western Australian Department of Resources Development. Although you are not under oath in this inquiry, the committee hearings are legal proceedings of the parliament and warrant the same respect as attends to the House itself. Are you going to lead, Mr Suttie?

Mr Suttie—Yes, I am.

CHAIR—Would you like to give us a three- to five-minute overview of your submission and then we might proceed by way of questions?

Mr Suttie—I assume it is not necessary to read our submission into the record.

CHAIR—No.

Mr Suttie—Thank you for the opportunity to come before the committee and appear at the hearing. The request from the committee to the Department of Resources Development to make a submission was specifically aimed at the various agreement acts which the WA government has negotiated with iron ore producers in the Pilbara. Part of these agreement acts include clauses which allow the companies to build and operate their own railways in the Pilbara. I think you have been up there yesterday, as I understand, and had a bit of a look.

CHAIR—That is correct.

Mr Suttie—The agreements area is administered for the government of Western Australia by the Department of Resources Development. To put it in context, we currently have in excess of 60 agreement acts covering all the major resource development projects in Western Australia. The number of agreement acts that contain the rights to build and operate railways in the Pilbara is quite limited.

My understanding is that members of the committee have been provided with our booklet, which describes the agreement acts and the agreement act process, so I will not spend any time on that. Just touching on the agreement acts, it is important to emphasise that the agreement must be seen as a whole: it is a balance of rights and obligations on both sides of the equation. To address one particular clause in the agreement is a bit dangerous, because it has to be seen in the whole package that has been negotiated by the government to achieve a particular project development.

The iron ore agreements go back some 30 years and now represent the entire industry, worth some \$3.6 billion a year to Australia. Obviously, the establishment of the railways was a very important part of that whole project development. What has happened in the meantime since these agreement acts were negotiated is that a number of other non-specific pieces of legislation have come in over the top of these agreement acts—such as native title, heritage, various planning statutes and so on—which progressively make our job slightly more difficult, in the sense that in administering the agreement we have to be very conscious of all the legislation which comes in that does not specifically address our projects. We have to assess how these new pieces of legislation impact on our agreement acts.

I should also emphasise that the agreement acts are very living documents as they cover projects which are either in construction or in operation. Whilst the number does not seem to be that large—in the sense that there are only 60 of them—there would be very few resource development projects in Western Australia, apart from the gold industry, which are not covered by an agreement act. The administration of them varies depending on the project—when the project is actually started and which stage it is at. Essentially, we, in concept at least, maintain the interface between government and the developer in any issue that comes up which might impact on the project—whatever project it happens to be. If anything comes up in terms of railways for the iron ore producers, then we get involved. I am quite happy now to take questions, if you wish, Mr Chairman.

CHAIR—Thank you very much for that. I would like to open on this point: at the time when the Western Australian government originally made these contractual arrangements with the various iron ore companies and allowed them to build railways and the like, did you envisage the same degree of third-party access as has been mandated by the federal government? Was there a similar expectation in the state's arrangements?

Mr Suttie—I was not there at the time—

CHAIR—But I am sure you have a very good grip of the history of it.

Mr Suttie—But reading what is in the agreements, what is in the files and what the intentions were covering the whole concept of the iron ore developments, which went way beyond railways into port development, and in fact whole new towns appeared, you would have to say there was a certain farsightedness shown by the government of the day in so far as provision was made in the agreements for things like further processing of iron ore and access to the railways. So you will find in the agreements powers for by-law formation and so on which would govern third-party access to the railways.

This requirement has not come up until very recently. So for some 30 years they have operated

without needing to trigger that particular requirement. To make a comparison between what we have in our agreements and what is the federal government's policies on third-party access, I think would have to be a matter for some study.

CHAIR—Are any companies approaching you as the state body with requests for third-party access?

Mr Suttie—Yes, we have had a request recently.

CHAIR—What will government's policy be on that? Will it attempt to handle these matters itself or will it put it under the federal regime?

Mr Suttie—I think I would have to claim that is a matter of policy.

CHAIR—What is the policy? That is what I am saying.

Mr Suttie—I would have to defer to my minister for policy advice on that.

CHAIR—Could we have a note on that?

Mr Suttie—Yes, you may.

CHAIR—I understand that in the original agreements the rail lines were required, should the circumstance arise, to carry passengers and other freight. What is the department's current policy on that?

Mr Suttie—We would interpret the agreement as written. If the request came up, we would have to refer to the company to see what the company wanted to do, because it is their railway after all. We would also look at what the obligations on the company were and in the context of any federal legislation that might apply as well. Then we would go and negotiate from that position.

CHAIR—It appears to us from evidence we have received prior to today that, in any issue of third-party access, one of the sticking points is the interpretation of the word 'infrastructure.' What is the department's view on infrastructure? Does that include purely the negotiated right to use the track; does it extend to the use of rolling stock and locomotives; does it extend to the use of loading facilities; and, in the case of iron ore, does it extend to the actual mixing of the various types of product? How does your department interpret the word 'infrastructure'?

Mr Suttie—We would interpret the word 'infrastructure' in the context of a proposal put to us rather than anything else.

CHAIR—Yes, but I want to know—

Mr HOLLIS—Bureaucrat.

Mr Suttie—I am sorry if it is bureaucratic; we are bureaucrats.

CHAIR—Wait a minute, it is a very simple question. These things must be a matter of great moment to the Western Australian government and in particular to your department. In interpreting your own act and the federal act—already you have had approaches, but over the next six or 12 months you will have to mandate this or you will be part of a mandated policy probably—to what extent are you interpreting the word ‘infrastructure’ in the context of the utilisation of various facilities in the Pilbara area? I repeat: are you talking about just track; are you talking about locomotives and rolling stock; are you talking about loading facilities; and are you even going so far as to say that the original company from whom access was being sought might even have to go to the extent of sorting and loading? Where does your department draw the line?

Mr Suttie—Perhaps it would be easier if we tackle it in the context of a project, because what we deal with is projects. What does the project need? If you look at the agreement acts, we have identified some 12 or 13 aspects of the project which require somebody to do something: either the government does it or the company does it. The negotiation really revolves around who does what. Then, as you enter into the proposals mechanism, the company tells the government what it proposes to do.

CHAIR—This is the new company?

Mr Suttie—The new company or the old company, whichever company. Then we negotiate how much is going to be done by the company and how much is going to be done by the government.

CHAIR—So there is no firm policy in that very broad spectrum of—

Mr Suttie—I am getting to infrastructure.

CHAIR—I am sorry.

Mr Suttie—Infrastructure is what the project needs to proceed.

CHAIR—That is correct.

Mr Suttie—It may be that we have to give assistance in things like approvals. So we may assist the company in preparing whatever it needs to get a planning approval, environment approval, heritage approval or whatever. If the company needs land to put a town on, then we would assist them to get that.

CHAIR—A new company is obviously going to have a new town—

Mr Suttie—Can I just correct you on that: the fashion at the moment is fly in, fly out.

CHAIR—Okay, even a fly in-fly out facility. They will approach the government separately. I want to know what your department’s policy is when you get down to the raw access to the various facilities owned by the pre-existing company. At what point do you stop the utilisation of their facilities? That is the question.

Mr Suttie—We have not stopped them yet. That has never arisen.

CHAIR—But is that not fundamental? Are we not talking about matters of equity? To have any certainty of investment in Western Australia, isn't that going to have to be very clearly defined either by you or the Commonwealth or by the two bodies jointly?

Mr Suttie—The chances are that, as a facilitating department, we would try to bring the companies together. In other words, in the simplest form, there is a three-way negotiation: there is the company that has the infrastructure; there is the company that wants to use the infrastructure; and there is us with responsibilities, in this case in iron ore with agreements.

CHAIR—So you do not see the state government extending beyond just being an honest broker?

Mr Suttie—At this stage we have no experience beyond that, as far as I know.

Mr Dell—No, that has been our limit to date.

Mr HOLLIS—Just following that, are you saying there has been no applications in the past for third-party access?

Mr Suttie—No, I did not say that; I said that we had one recently.

Mr HOLLIS—What about in the 1980s? Didn't Hancock Mining try to get access to BHP rail?

Mr Suttie—No, that is the most recent one, isn't it?

Mr Dell—That is the most recent one where there was an actual agreement reached with Hancock and BHP, but it was never implemented—

Mr HOLLIS—What was the agreement?

Mr Dell—It was a commercial deal done between the two parties and enshrined as a side agreement to the Iron Ore (Mount Newman) Agreement Act, but it was never implemented.

Mr HOLLIS—But despite the fact that the agreement was not implemented, what did it entail? To go back to Mr Neville's point, did that agreement just entail access to the rail or what?

Mr Dell—I do not have the details with me. I am prepared to take that on notice and provide further information on that. I was not directly involved with it. Because it was never implemented, because BHP bought out that McCamey's Monster mine, there was no need for it.

Mr HOLLIS—I see in the papers that quite an expansion in iron ore mining is envisaged. Do you envisage more railways?

Mr Suttie—There have been a number of visions, if you like, of the future for the Pilbara over the years. There have been visions of electricity links, visions of rail links and visions of processing for many years—all of which we keep on our agenda until the developers come and tell us now is the time. At this stage we are not aware that the time has come for, say, duplication of the railways. There is a role in our facilitation activities in trying to make sure that what is there is used as effectively as possible.

If you look at the history of developing the Pilbara, there has been a very cooperative effort between government and developers, whether it is in terms of building towns, building railways, building ports, privatising ports or whatever. There is an expectation that the government will, in providing access to resources, have certain obligations imposed on the developers to make sure what happens happens, dare I say, as efficiently as possible but certainly with a certain outcome which is the government's desire.

The vision of our department, for instance, is not just development; our vision is responsible development for the benefit of Western Australians. So there is certain criteria that we would apply to say, 'This is fine. This is what the developer wants to do, but are we benefiting as a state from this activity—whether it is duplicating the railways or third-party access to the railways or whatever it is?' Obviously, if the federal government wants to come in over the top of that with legislation, then that is out of our hands.

Mr McDOUGALL—I was interested in your comment that an agreement is a living document. Does that mean that the agreement is able to be subject to alteration? If so, to what extent?

Mr Suttie—The alteration is contained in the agreement itself. The variation clause usually requires mutual agreement to vary it. The agreement as varied is then submitted to parliament and the amendment is ratified. So you will find, for instance, that the Hamersley agreement has been amended, I think about 10 times, over the years for various reasons.

Mr McDOUGALL—In your booklet you talk about security of land tenure. In the case of the three major railway lines in the Pilbara area, what land tenure arrangements do the mining companies have in relation to the land underneath the track? Who owns the land?

Mr Dell—The land is crown land leased by the obligation created under the agreement, but leased under the provisions of the state Land Act. The term of the lease has special provisions beyond what is normally available to the general public under the Land Act terms. So the lease goes on with successive renewals of 21 years.

Mr McDOUGALL—So at the end of each 21 years it is subject to renewal?

Mr Dell—Yes, automatic renewal.

Mr McDOUGALL—Subject to any conditions?

Mr Dell—No condition changes.

Mr Suttie—Let me qualify that slightly. All the leases under the agreement are designed to work with

the mining lease. So as long as there is mining, all the Land Act leases apply.

Mr McDOUGALL—So it is not necessarily so that the railway lines in total sit on mining leases?

Mr Suttie—No.

Mr McDOUGALL—If they do not sit on mining leases, then they are under some sort of separate lease agreement which the company then pays a royalty or a fee for on an annual basis?

Mr Suttie—They are essentially peppercorn rentals.

Mr McDOUGALL—What are we talking about—\$1 a year?

Mr Dell—No. The agreements specifically provide that in the existing railways the rental is peppercorn.

Mr McDOUGALL—How much power has the minister got to make changes as opposed to arbitration?

Mr Suttie—In the event that the variation is not mutually agreed, the agreement cannot be changed.

Mr McDOUGALL—What about arbitration?

Mr Suttie—We have never actually tackled arbitration, have we?

Mr Dell—There is no agreement provision. There is an arbitration clause in each agreement that if there is a dispute between the parties—the company and the state—that matter can be taken to arbitration. But, to date, there has not been a dispute.

Mr McDOUGALL—When these agreements came to pass, they were probably worked on the basis that they are there for a single purpose. With further development in the Pilbara, and you can take many other regions as examples, I think the state would like to see further development in that whole region other than just the iron ore mines.

Mr Suttie—They certainly would.

Mr McDOUGALL—On that basis, with any agreements in relation to infrastructure you can then add in considerable amounts of money that were spent by the taxpayer in relation to public roads and resources development of water and power. I am sure that all of those were not paid 100 per cent by the company and that the state or the taxpayer put some contribution in. If the state was looking for further development and in that sense wanted to utilise other infrastructure that the company supplied so that overall development could take place, would that be fair?

Mr Suttie—I suppose it would.

Mr McDOUGALL—Would you think that that was what the government or the department had in mind at the time? How do they face this issue of what happens in the future with this infrastructure if these other things take place?

Mr Suttie—If you read between the lines, the agreements and the files and so on, they tried to imagine what would happen. If you go back to, say, 1969 or 1972 and you come up with the Pilbara study, for instance, there was a huge industrial development envisaged based on natural gas in the Pilbara. Some of it happened and some of it did not, but their vision was very big for what might happen. That, I do not think, has changed. I think it is difficult now to organise the conviction in the minds of developers and their bankers that there are opportunities in the Pilbara to make money. Currently, we are in a major exercise to get a petrochemical development in the Pilbara which has been going for nearly two years now, involving various very large corporations from around the world and trying to convince them, by whichever means we can put our hands on, that there are opportunities there to make money—which is what they are interested in.

As you go into the processing, as opposed to the mining of the resource, is that processing developers tend to expect the infrastructure to be provided. They expect to move into a situation where there is industrial land fully serviced with port facilities, people waiting for jobs and so on. We are trying to address that by developing a number of industrial estates around Western Australia, one of which is in the Pilbara, so that what we have to offer developers is what might be on offer in other countries.

Mr McDOUGALL—The clause that went into the agreement that said that the companies have to give third-party access for freight and transport was really a little bit light on, wasn't it? It was kind of, 'Well, we'll stick the clause in. We don't know how it'll work; we don't know whether it'll be agreed upon by the company, but it looks good—we'd better stick it in,' probably not thinking that it would ever happen, and now, all of a sudden, we have a problem. So I come back to Mr Neville's questions, and I think this committee would like to know: what is the department's definition of infrastructure? What is the department's definition of third-party access on privately owned and invested infrastructure?

Mr Suttie—We seem to keep coming back to this question. Perhaps we could take it away and come back to you on what we mean by infrastructure.

CHAIR—Yes, I think this is a fundamental question. It is very important to our inquiry because we have to report on the role of rail, and rail of course is the core infrastructure. But is it just rail, or is it a more extensive package?

Mr Suttie—I think you will find it is a more extensive package. You look at the sorts of things we have to work on in terms of bringing everything together for a major project, which is what we are going through at the moment with Midwest Iron and Steel at Okagee. The government has to take on responsibility for the harbour. Is that fair? I do not know if that is fair or not. To get the project to go, certain obligations have to be taken on by the government. One of the worst things that can happen when negotiating an agreement is to jeopardise the project, because it might go away. It might turn up somewhere else, like Venezuela, Trinidad or some place like that. You are continually in this balance on cost benefit between what the government is putting in and what the government is going to get out of it.

CHAIR—Or if you place an unfair burden on a pre-existing operator, you might cripple that company's capacity to operate efficiently as an exporter.

Mr Suttie—That is a possibility.

CHAIR—There are very small margins in this game apparently. We have reached time but this is a very important issue so I intend to extend this for 10 minutes, but can we keep the questions short.

Mr RANDALL—I will be as brief as possible. Just for your information, Mr Suttie, I am the only Western Australian member of this committee so I have an interest in the local scene. Your responsible minister is Colin Barnett. Is that correct?

Mr Suttie—That is right.

Mr RANDALL—I take the point that you seem to be making about the Pilbara and you just talked about Okagee. This is a rail inquiry, but there are infrastructure type questions. For example, Koolyanobbing has been using the main rail line for many years. The Boddington mine would be using the main rail line to Kwinana, so we are talking about sharing infrastructure in not just rail but also port facilities, loading facilities, et cetera.

Knowing it is not just a facility in the Pilbara or the north-west, I have got to return to this question about policy. I find it quite unusual that you either do not have a policy or do not know of the policy and your position, because it is so important to the development of resource projects in Western Australia. Is there an answer to why you either do not know or do not have one?

Mr Suttie—We tend to work in the practicalities. I will give you an example. We have two mineral sand mines in the south, both of which export through Bunbury. They transport their material by road. How did they end up in that position? The choices we were faced with were things like a dolphin berth off Augusta. That was one possibility that was put up which was looked at very carefully. We decided that was not such a good idea. We decided that we did not want a truck every 20 minutes going past the primary school at Nannup. That was not acceptable to us. What we eventually negotiated was a contribution from the companies and the government to develop Sues Road, which is a forest road running up the middle. I do not know if you know it. We took the benefits of the tourist trade that might be able to use the road as well. It was a practical solution to a practical problem. How do you get the material from Beenyup to Bunbury in the most socially acceptable way?

Within that you might be able to read policies. The policy, I suppose, is really that any issue that comes up regarding a project is looked at from the impact it has on the cost benefits to Western Australia. Koolyanobbing was the case you mentioned. Koolyanobbing was closing down. If you recall, I think it was BHP which gave it away, and another company came along with the idea of having another go and trying to export through Esperance. That involved a lot of work on our part to try to find out if that was practical and acceptable. The main difficulty there, as I recall, was the loading problems at Esperance.

CHAIR—I understand where you are coming from, but I think we are drifting away from the core

issue a bit. These might be interesting examples but—

Mr RANDALL—I was talking about sharing the resources, which includes the rail. I am asking, given the fact that with privatisation you are going to have to come up with the dollar value to share these, has that been taken into account in your policy? I know that we are short of time, so if you want me to leave it there, Mr Chairman, I am happy to.

CHAIR—All right.

Mr LINDSAY—In relation to third-party access to infrastructure, the committee has received evidence that there is no way to take into account the opportunity cost of loss of profits from the existing operator in determining what the arrangements for third-party access should be. Has your government thought about that? Are you sympathetic to the existing operators in relation to that? What is your view? Should that be a factor that is taken into account?

Mr Suttie—Certainly, we would have a preferable result in the companies negotiating between themselves and coming to some sort of agreement. We have had experience of that in the past. In terms of the costs, I think the practicalities are that there should be no negative impact on the existing companies.

Mr LINDSAY—None? You do not need to go any further.

Mr Suttie—Just to amplify that: I do not see any role for the state government—and I am probably going a little bit beyond my brief here—and I do not see any role, although perhaps there is one, for federal legislation to impose these things. I do not know.

Mr LINDSAY—If the lines are running at or near capacity, how can you impose it?

Mr Suttie—If you have an agreement, you have a responsibility to abide by your agreement. The fact that that agreement was entered into in 1963 is neither here nor there. You have an agreement which you are expected to perform. If you do not perform under your agreement, whether you are government or private or whomever, then the next guy that comes down the track is going to look at you and say, ‘I can’t believe a word you say.’

Mr LINDSAY—Okay, but the impact of that is that the existing operator has to reduce their capacity or reduce their operations.

Mr Suttie—I would not expecting them to, no.

Mr McARTHUR—Following the same line, it has been put to us by BHP and Hamersley Iron that their operation using the rail is basically a conveyor belt from the mine to the port facility. Both those companies suggest to us that they are working to full capacity in terms of the integrated operation, and that there would be very little opportunity for another new entrant on the access regime. What would be your attitude to that position?

Mr Suttie—It would depend on whether or not we already had an agreement with the third party. If it is a third party coming in and talking directly to an existing company then that is one situation. If we were looking at somebody coming in with an agreement and we were looking at an iron ore development, say, our initial position would be to say, ‘Why don’t you develop it in the same way as Hamersley and BHP developed it?’—in other words, ‘Why don’t you build your own infrastructure?’ They would have to convince us that it is uneconomic and then we would have to decide whether the government is so desirous of this new development that it will open up the discussion, and what the rights are of the government under the agreements with Hamersley and BHP, and the consequences of that for Western Australia.

Mr McARTHUR—Are you suggesting that you might actually interfere with the near capacity operations of say BHP and—

Mr Suttie—I am saying that we would look at the rights of the government in terms of doing that and the impacts that would have—

Mr McARTHUR—Both those companies put it to us very strongly yesterday that they are at capacity in terms of the movement of rail trucks and the timeliness of their operation in terms of mining operation and dispatch at the wharf. Would the government actually consider interfering with that?

Mr Suttie—Certainly, we would look at the capacity limitations that they are talking about. Is it because the number of passing sidings is limited? Is it because of the capacity of the wharf loading facility? What is the capacity limitation? That is where we would probably start. We would try to find a practical solution until the cost to the state determined that there was no point in pursuing it.

CHAIR—Would you go so far as to require them to surrender capacity in the interest of another operator starting up?

Mr Suttie—I am not sure we have that power.

Mr Dell—I do not think we do.

Mr McARTHUR—Is there any suggestion that a native title claim over these rail leases could impact on the new potential rail lines or the old ones?

Mr Suttie—The impact on the old ones, as I understand it—it is a very difficult area—would be insignificant. The impact on a new one would be very significant.

Mr McARTHUR—What about at the 21 years that Mr McDougall raised with you as the leases are renewed? Would that be an opportunity for a native title claim?

Mr Dell—We believe not because those leases are issued under section 116 of the Land Act 1933, and it is believed that all leases issued under that section of the Land Act were deemed to be a passed extinguishing act, as against a mining lease, which is an impacting act. So that would not surface.

Mr WILLIS—Mr Suttie, can you just explain to me again what policy matter you said you wished to refer to the minister?

Mr Suttie—The policy matter that we wish to refer is what we mean by ‘infrastructure’ and whether the Western Australian government would defer to the Commonwealth on third-party applications.

Mr WILLIS—As I understand it, with your agreement, you can seek to have those agreements certified as providing an effective access regime or amend the agreements, as you clearly are discussing with the parties, to try to produce an effective third-party regime. If that falls through, a third party could then seek to have the infrastructure declared, which would mean that an application to the NCC—the National Competition Council—would then have it considered whether it ought to be declared, and then it would come back to the state government to decide whether it is going to accept the NCC decision or not.

You obviously have a very key role in all of this, either in the negotiations or the agreements as they currently exist to provide access or an effective access regime, or at the end of the day to say yes or no to whatever the NCC decides to do. Obviously, in the context of all of that, the attitude of the state to other mines developing, other than those owned by the infrastructure owners, is quite crucial.

So, in these discussions that you are having with the infrastructure owners about developing an effective access regime, are you operating from the basis that the state would like to see other mines developed by non-infrastructure owners, if that is possible to develop, or is that not a high priority for you, given that the infrastructure owners themselves have new mines that they may wish to develop?

Mr Suttie—I hear two questions in what you have said. One is the difficult area of policy versus legislation in the first instance. Obviously we expect the developments to proceed under the laws of the land as they apply from the federal level, which would mean straight practices and whatever else. When you go into the area of whether the NCC is writing legislation or writing policy, you enter a greyer area because that starts getting into all sorts of things like money coming from the Commonwealth to the states and the impact—and you can quiz my Treasury colleague later this morning on that one.

If you start from legislation, say, trade practices, clearly the development must proceed under the law. Whether it is native title, trade practices, export licences or whatever, we would expect that. If you say that this is just government policy from Canberra, we have a different grey area because then we have to compare that with our law, our obligations and our policies in that situation.

In relation to the second part of your question, I can only refer to the different expectations that we are now running into as we talk to developers about developing whatever in Western Australia. The mining companies expect to have to go to where the resource is in the ground and they expect to have to get it out and get it to the market somehow, whether that is by government roads, their private railways or whatever it takes. That is why our negotiation has gone on for years. I think Midwest has been going for two or three years now trying to bring this all together.

The processing companies who take the material, say, the iron ore at Port Hedland, can take it anywhere. They can take it in Port Hedland, in Indonesia, in Japan, or whatever. So they look around and

say, 'Where is the best bet? Where is the best infrastructure provided by somebody else?' If it happens that some government somewhere is giving tax holidays, free housing or whatever, presumably they would go to the best bet and take our iron ore somewhere else. One of our breakthroughs at Port Hedland with the ERI plant is actually finally getting some processing done in Western Australia as opposed to overseas.

Mr WILLIS—Hopefully so.

Mr Suttie—I think we have four other processing projects that are clearly on the books but waiting to see what happens at Port Hedland.

Mr WILLIS—From what we could discover yesterday that is a way off. I just wanted to come back to one statement you made which really worries me—that is, your statement that the way in which you are approaching this whole business of discussion with the infrastructure owners is on the basis of no negative impact on the infrastructure owners.

Western Australia is in the position of being a signatory to the competition policy agreement. On the basis of fully applying the principles of the competition policy agreement, the state is the recipient of substantial revenues from the federal government. The continuing payment of those depends on the Western Australian government continuing to fully adhere to the principles of the competition policy agreement, and the competition policy agreement is proactive in terms of competition. In other words, it seems to me that you should be favouring competition rather than favouring the infrastructure owners maintaining their own access over and above anybody else at all times.

Any infrastructure owner, and probably particularly a private one, is going to be very jealous about wanting to share its infrastructure with anybody else as a competitor. But the competition policy says we should be pro competition. Your statement seems to me to open the door to the companies to argue—as they argued to us yesterday in the Pilbara, both BHP and Hamersley—that they would strongly take the view that they should not be the recipient of any outcome from this which was negative to the company. They can almost always argue that because any mine that opens up will take some market share that might conceivably have been taken up by the company itself with its own further mine development. That is going to be the case with almost any infrastructure owner.

So, whilst you take that approach of no negative impact on the company, the company will always have a leg to stand on to argue against further competition. I see that as being quite a worrying position for the Western Australian government to develop, very anti-competition and against the principles and the underlying understanding which is there in the competition policy agreement. That is my statement to you. I am just wondering whether you want to comment on that.

Mr Suttie—No. Perhaps I should withdraw any comment about existing infrastructure and take it on notice. Would that be a better idea?

Mr WILLIS—No, it would be better if you commented on it. There is not much point coming here if you cannot comment. Why bother coming if you cannot make any comments on matters of policy? We are here to understand the Western Australian government's position on these things. If you do not have the

authority to speak, why come? But send someone else who can speak. Send the minister.

Mr Suttie—Would you like me to invite him? Perhaps the committee could invite him.

Mr WILLIS—If you do not have the authority to speak, we should get somebody else who can.

Mr Suttie—My understanding was that, on matters of policy, I had the right to refer it to my minister. That was my understanding. Maybe I am wrong on that.

Mr WILLIS—It would be better if we had someone who could speak to it.

Mr Suttie—Perhaps the chairman could give me a ruling on that. I think your brochure itself says I have that right. If you do not think it is a policy question—

CHAIR—I suppose, technically, you are right, Mr Suttie. But, on the other hand, we would have presumed that, with these matters being of such moment to the government of Western Australia, there would be a very clear policy in place upon which you could comment. We are a bit surprised that there is not.

Mr Suttie—There are other representatives scheduled for this morning to come and talk to you about these other aspects. I came to talk to you about agreement acts and iron ore railways.

Mr WILLIS—That is exactly what I am asking you about, and this is all at the heart of resource development, which is your bag, your policy area.

CHAIR—Are you in a position to name the companies which are in discussion with you at this stage on third-party access, or are they at a confidential level?

Mr Suttie—I think we are in a position to name them. Who is in discussion with us on third-party access?

Mr Dell—There are two companies we are dealing with in looking at new railroads—that is, the Hancock group of companies for their iron ore Hope Downs agreement project, if that gets going, and also the West Angelas project for a railway for Robe River.

CHAIR—Thank you very much for your attendance this morning. Will you get back to us on those three points that we spoke about?

Mr Suttie—Yes.

[9.21 a.m.]

HUBBARD, Mr Alan, Executive Director, Regional and Policy Coordination, Department of Transport, 441 Murray Street, Perth, Western Australia 6000

CHAIR—Welcome. Mr Hubbard, although you are not under oath during these proceedings, committee hearings are legal proceedings of the federal parliament and they warrant the same respect as activities of the parliament itself. Before we commence, you heard the previous evidence. We certainly do not wish to put you into an awkward position, but we need to understand what the government policy is on these matters. We are talking to you in your capacity not so much in resources but in the transport itself and, in particular, that refers to above and below the track. Does your department have a view on third-party access, or do you see yourself purely as the provider of the service, not the policy director?

Mr Hubbard—I appreciate that you are pressed for time, but I had prepared some comments on both the submission and other developments.

CHAIR—Yes. I was going to come to that, but I wanted to clarify that point. I was then going to ask you to make a three-minute to five-minute statement and then we would go on to the other questions. I want to know that point before we start.

Mr Hubbard—Certainly, the department has a role in advising the minister on rail access matters. There is a fairly clear policy emerging, which I will be able to comment on.

CHAIR—Yes. Can we now have your opening statement.

Mr Hubbard—Certainly. Thank you for the opportunity to appear before the committee. I would like to make some brief comments about the submission that was presented to the committee in September of last year, but I will also talk about some of the other developments in respect of rail in Western Australia which are not referred to in the submission.

The submission has a fairly narrow focus. It is focused on the interstate rail network. Where we have used the term, ‘The national rail network,’ we are referring to interstate rail and, obviously, the committee’s scope and interest is broader than simply interstate rail. So I will talk briefly about the submission which, as I said, focuses on interstate rail but I will make some comments about policy developments in respect of rail in Western Australia more generally.

As to the submission itself, it was prepared by my department and endorsed by the Minister for Transport, the Hon. Eric Charlton. We prepared it in September, following the rail summit which was held on 10 September. It largely reflects the views that the minister took to the rail summit and, as you would be aware, that summit resulted in a communique heads of agreement and, ultimately, an intergovernmental agreement to establish the Australian Rail Track Corporation.

As I mentioned, the focus in the submission is on the rail network that is used for interstate services—we have used the term ‘national network’ in that sense. The main points of the submission were to

acknowledge the need for and to indicate support for harmonisation of safety and technical and operating standards across the national network. That is clearly an important issue and action is required in that area. The submission also reaffirms the need for a one-stop shop for rail access for interstate operators so that train operators wishing to go coast to coast—Perth to Melbourne or Sydney—can deal with a single point on access matters.

The resultant intergovernmental agreement reflects that, although I would point out that, with the one-stop shop arrangement that is being established through the Australian Rail Track Corporation, the Western Australian track between Perth and Kalgoorlie will not be transferred to the effective control of the ARTC. Access to that track will basically be sold to the ARTC who will on-sell it to operators.

The fundamental point that was being made in the submission—and it is one that the minister holds very strongly—is that there are key issues about the adequacy of the rail infrastructure for interstate services. Essentially we are saying that there is a lack of vision about what the interstate network needs to look like, what service standards it should be able to provide, and what role rail should play in the total national scene.

In the submission, we question the extent to which, if future rail infrastructure investment on that national network was left to purely commercial principles, that might result in the sort of rail network that we would like to see from an overall transport point of view; in other words, the possibility that unless there is some infrastructure overhaul, as we put it, and some general funding of the infrastructure, we may see a declining level of service on the interstate rail network and a declining role for rail. We talk about the infrastructure overhaul which is likely to be required and which is not likely to be able to be fully funded out of a user charge basis.

Since the submission was put in, the committee would be aware of the establishment of the Australian Rail Track Corporation. There has been a significant study undertaken by Maunsells for the Australian Transport Council on rail standards and operational requirements and that sets pretty clear identification of the issues that need to be addressed. The Australian Transport Council, which comprises the transport ministers from around Australia and New Zealand, will be discussing how that report will be implemented in their meeting this Friday.

From the point of view of Western Australia, we recognise the work that the ARTC is now doing in putting a capital works program together to expend the \$250 million that the Commonwealth has committed to rail infrastructure and indeed other funds which can be raised by the corporation. Referring back to our submission, we feel that more work is still required on that question of the long-term adequacy of the infrastructure—whether we will be able to have a rail network that does what we want it to do.

If I can now turn to policy development in WA, which was not referred to in the submission, there has been significant developments there. A state rail access regime is nearing completion. It will comprise legislation to provide the legal basis for the regime and a code—which will be subsidiary legislation—which will basically set out the rules of engagement between operators seeking access and the infrastructure owner, Westrail.

CHAIR—Is that purely for state lines or also for private lines?

Mr Hubbard—The scope of the regime will be the public owned rail network; in other words, the Westrail network. That decision was taken on the basis that the private railway lines in the north-west, as you heard from Mr Suttie, are subject to an existing set of laws in the agreement acts which deal partially with rail access matters, and those agreements come under the responsibility of the Minister for Resources Development. It was considered that the access regime should focus on the publicly owned part of the system. I do not think from a policy perspective that there is any great loss out of that arrangement. The nature of the operations are quite distinct. They are physically separated; they are not part of an integrated network.

We have been providing some policy advice to the Department of Resources Development along with the Treasury as to how access might be progressed in respect of the north-west railways, but they are not the subject of the WA rail access regime. That access regime, as I say, has been drafted. It is awaiting cabinet approval. The process that will be followed then is that it will be introduced into the WA parliament and simultaneously submitted to the National Competition Council for consideration for registration as an effective regime.

In that regime you were interested in a definition of infrastructure in the previous discussion. As we had to actually draft some legislation, we had to define 'infrastructure'. The policy position that has been taken is that the regime deals basically with the main line track and the associated communications—the signalling network. Facilities such as freight depots, fuelling facilities and so on—

CHAIR—When you talk about depots, you are talking about terminals?

Mr Hubbard—Yes, freight terminals. Those were not seen as having the characteristics of an essential facility in the sense that we believe they can be readily duplicated by another operator. So the regime will deal essentially with the main line track. That is not to say that outside of Western Australia in another context you might take a different approach. If you just think of freight terminals for the moment, in Perth we are fortunate in that we still have abundant land adjacent to the main line track.

CHAIR—Could we move into questions on that point?

Mr Hubbard—Yes.

CHAIR—We received evidence that it is not as clear-cut as that. Terminals are going to be an integral part of this. In fact, a number of witnesses have complained that the inability to access terminals has become a de facto form of blocking competition. We have also asked a number of witnesses—I would be interested to hear your comment on this—whether the state government should if it is not going to make its existing freight terminals available to the new operators have some system like the old industrial estates where a new operator can lease land from the state government, develop it and freehold it over time if it fulfils certain development conditions? I would like to hear your comment on that. We have found in the eastern states that access to terminals is a very big sticking point.

Mr Hubbard—As I said, it may well be in different circumstances in Sydney or Melbourne that conditions are different. In Western Australia, if we take Kewdale, for example, which is the major area for

the interstate traffic, the government has determined that the area of land there that is currently owned by Westrail will be zoned and continue to be zoned for rail purposes so it will not be able to be developed for non-rail purposes. There is capacity from our studies for three freight terminals within that area of land.

CHAIR—Would the state provide the basic infrastructure into that—the main line through it? I do not know the configuration of this particular yard.

Mr Hubbard—It is adjacent to the main line. The lines within the terminals will be the responsibility of the operators. The process that has been going through now is that portions of that land are being sold to the operators for their own purposes.

CHAIR—I think you have answered our question.

Mr Hubbard—I hope that illustrates the point. The important point is that there is adequate land. Whether you can leave access then to the market or not is the other issue.

Mr McDOUGALL—On that point, wasn't SCT recently refused a development application for a terminal on that land?

Mr Hubbard—No. SCT was seeking to develop a terminal in the Canning Vale industrial estate rather than Kewdale. They have been refused on environmental grounds but there is still other alternative sites available in the metropolitan area that are adjacent to the main rail line.

Mr McDOUGALL—And they will not have the same environmental problems?

Mr Hubbard—I cannot answer that.

Mr RANDALL—On that point, you are not encouraging development of a speedway on that land, are you?

Mr Hubbard—No. A speedway would not be considered use of land for rail purposes.

CHAIR—I detect a little bit of local politics there.

Mr McDOUGALL—I have two other questions in relation to access. You said that you are putting to the cabinet an access regime policy. Could you explain to us how your disputes tribunal structure will work in relation to that policy? Who is controlling the disputes?

Mr Hubbard—Initially, what we have to address there is that the NCC will clearly want to see a disputes resolution process which is arms length from the minister for transport and government, because the disputes are likely to be between a government entity and the infrastructure and Westrail and a private operator. Under the regime, my department will have a role as the regulator to oversee the effectiveness of the regime.

CHAIR—But who will the actual determining body be?

Mr Hubbard—The resolution of disputes will be handled by arbitrators who will be appointed on the recommendation of the chairman of the Australian Institute of Arbitrators.

CHAIR—What will be the basic pricing mechanism? How will you determine that?

Mr Hubbard—There are pricing principles set out in the regime. They still provide for commercial negotiations within a band.

CHAIR—Can you give us one page of information on that?

Mr Hubbard—Certainly. On the pricing principles?

CHAIR—Yes.

Mr McDOUGALL—I listened to your comments earlier when you said, and correct me if I am wrong, that the line on the national grid between Perth and Kalgoorlie is not going to be given to the ARTC but you are going to sell it to the ARTC who is going to on-sell it. Double profiting is the first thing that strikes my mind. Why won't you give it up?

Mr Hubbard—What will happen is that access to the unused capacity on the line will be sold to the ARTC for on-selling to operators. Why the government decided that it was not prepared to turn over effective control of the track stems from the high degree of use of the track for intrastate purposes. When you are at Kalgoorlie there is a preponderance of interstate traffic. As you get closer to Perth, that is the main avenue for traffic moving around on the total Westrail network coming into Perth. All the grain comes down.

CHAIR—Do you have both standard and narrow gauge on that corridor?

Mr Hubbard—It is essentially a standard gauge connection from Perth to the eastern states, but the first part of it out of Perth is dual gauge. It has a narrow gauge also.

Mr McDOUGALL—So it is three tracks?

Mr Hubbard—Three tracks, yes.

CHAIR—But aren't you then retaining the power with the state government to be able to say to the private sector, 'We are going to limit access to that line through controlling a monopoly rather than through pure competition'? You are going to say to the ARTC, 'We will only give you the bit to sell that we want to give you,' and that may not satisfy what the competition demand is.

Mr Hubbard—We do not see that that will be a problem. There is plenty of capacity on the line and the ARTC will obviously have a commercial approach to securing that access from Westrail.

Mr McARTHUR—I confirm what Mr McDougall was saying on my surprise that the government will not transfer the line from Perth to Kalgoorlie to the ARTC. I find that difficult. I do not really accept your arguments. I also confirm the chairman's request for the principles for access. This committee will be very interested in what your government is saying. We have had difficulty with other governments in describing and explaining the way in which they provide an access regime. What is your attitude toward the privatisation of the rail structure in Western Australia?

Mr Hubbard—If I could answer that by flagging that there were two other developments that I wanted to mention. One was rail safety and the development of a rail safety act. Can I make a brief comment on rail safety and then I will come back to privatisation. We have introduced into the house a rail safety act which basically follows the model that you would be familiar with in other states, where the overall responsibility for rail safety will rely on an agency—in this case the Department of Transport—which is separate from the rail operators. Potentially, that act can apply to all railways in Western Australia, but as a matter of policy it will not apply to the north-west railways in the first instance, at the request of the railways in the north-west, which are governed by the safety considerations under the mines act.

Coming back to the privatisation of Westrail or the scope for private ownership of the government network, it is fair to say that the government does not have a policy on that. It has just initiated a scoping study, though, on the possible sale of Westrail and that study will be the basis of a government determination of whether or not all or part of Westrail should be sold. At this point in time, I guess the government is sufficiently interested in privatisation to commission the first step of a scoping study but has made no decisions in terms of what will happen to both the Westrail infrastructure and the services.

In terms of other private involvement in the rail industry, the proponents of the Okagee and Ang-feng/King Street project that was mentioned by Mr Suttie are looking at building their own railway line and operating that, and the government has no problem with that. I would infer from that that private sector involvement in rail activities would be generally welcome.

Mr WILLIS—What is the state of the track between Perth and Kalgoorlie?

Mr Hubbard—I would prefer that you ask my colleagues from Westrail who will appear later. They would be better able to answer that.

Mr WILLIS—I am aware of that, but I am asking you in the context of the policy of the government not to hand over the track to the ARTC. If there is a need for substantial investment in that track, whose responsibility do you see it as being? Since you are maintaining ownership, do you see it as your responsibility to provide the investment to ensure that there is a state-of-the-art track?

Mr Hubbard—Clearly, in respect of intrastate traffic, there is a responsibility on the WA government. The issue becomes more complex for interstate traffic now that we have an ARTC. I guess we will end up in some sort of situation of mutual interest in how well the track serves interstate traffic. Obviously, from an overall transport perspective, the effectiveness of the interstate track is very important. In terms of the modal share of traffic from east to west, about 70 per cent of the goods coming into Western Australia are carried on rail. So the reliability and the cost of rail freight services are very important from the

state's perspective. I guess we would see some sort of a mutual obligation there in terms of interstate traffic.

Mr WILLIS—The issue of funding for the development and the improvement of the infrastructure is fairly important in the context of this committee's hearings. So it does seem to me that, if the state says that it is not going to cede the track, it is taking on a concurrent obligation to provide funds for maintenance and improvement of the track that it may not have the same obligation to provide if the track were in the hands of the ARTC. Is that your understanding of the way the state sees it?

Mr Hubbard—Yes, I think it is. Even though Westrail has not been engaged in interstate traffic for some years, ever since the advent of National Rail, I think it has been nevertheless responsive to its customers, National Rail and others which are providing interstate services. Part of the access arrangement hinges on the quality of the infrastructure service that is being provided—that is, the quality of the track. So there is a state interest in servicing interstate traffic and the quality of that track.

Mr WILLIS—We look forward to seeing the state providing the appropriate amount of funds to ensure there is the state-of-the-art track.

CHAIR—On that point Mr Willis raises, what do you think of the concept we have had put to us—and we have questioned lots of witnesses on this—of the track from Brisbane to Perth, or more particularly from the port of Brisbane to the port of Fremantle, being treated as the National Rail highway which the Commonwealth would make a major contribution to and would have a strong measure of control over? That would be the first level of importance. The second level tracks of national importance would be ones that were maybe intrastate but mainly interstate—say, Brisbane to Cairns or something like that. The third level tracks would parallel the black spots on roads but would not have quite the same function. So there would be hot spots on rail where the Commonwealth might put in some incremental money to upgrade those parts of the track that were slowing down the efficiency of the Brisbane to Perth corridor. What is your view on that?

Mr Hubbard—I think those sentiments are very much what my minister took to the rail summit and what we have tried to express in the submission. We feel there is a national network and the federal government should take a lead role in defining that network and ensuring its adequacy. The actions that have flowed from the rail summit are also reflective of that approach.

CHAIR—Without trying to be argumentative, all states say this to us in theory but then the practice comes in the issues like the Perth to Kalgoorlie thing. Your New South Wales colleagues have an even more circuitous way of approaching this matter. The theory is okay but, when it gets down to the practice, we still do not have one private train running from Sydney to Melbourne because of various access problems. I am not having a go at the New South Wales government per se. Everyone is saying that and, because that is not working, the corridor from Melbourne to Brisbane is not working and, because the corridor from Melbourne to Brisbane is not working, the whole thing starts to come apart. I just wonder if you have any comment on that. If you asked the Commonwealth to make a major investment in rail or if you want us to recommend that to the Commonwealth, then we have to be able to say there is a willingness on the part of the states not so much to surrender authority but to make the major corridor available in such a way that there is uniform control in safety, signalling, track standard and all sorts of things.

Mr Hubbard—I believe that the WA government is committed to harmonisation of standards in safety and operational areas and we are actively participating in that work. There is no lack of commitment there. In terms of access we are fully supportive of the one-stop shop, although the particular mechanism in Western Australia will be different—as it is in New South Wales—from what will happen in Victoria.

The important thing is the commitment to the principles. I think my minister's thinking in terms of what we should be doing with rail parallels the national highway concept in that the Commonwealth takes some responsibility for that network. But I could never guarantee that, when you get down to the nitty-gritty of negotiations, you still will not have differences on priorities in respect of roles.

CHAIR—There was one thing, a bit of local colour, that has been worrying us. We have received comment in evidence that the Western Australian government may be considering closing the link to Fremantle. Is that a real possibility because it seems to alarm some people? The idea of having this corridor from Fremantle to the port of Brisbane is considered a fairly important part of a national rail highway. Is there a danger of that happening?

Mr Hubbard—I take it you are referring to the freight link that goes to the port of Fremantle via Cockburn rather than the urban rail link that goes directly from Perth to Fremantle. There are some threats and issues hanging over that link into the port at North Quay. Principally, the redevelopment of the Leighton marshalling yards for non-rail purposes will sever the existing freight link into Fremantle.

It is fair to say the government is still considering as to whether and how that link will be replaced. In the interim though, in response to pressure from shippers, we have recently provided access to National Rail, which has initiated a new service from North Quay into the standard gauge network. Certainly from my department's perspective we are very keen to provide access and see operations maintained on that link in the short term whilst a final decision is made about the future of the link. In summary, there are some question marks hanging over the future of that link, but the government's position is still to be determined.

Mr McDOUGALL—I have a follow-up question to that. What does the government see the future of shipping being compared with rail across the Nullarbor—as a percentage of the market? Who is going to grow and who is going to lose market share?

Mr Hubbard—I am sorry, I really do not have a personal view.

Mr McDOUGALL—But does the department have a view or does the government have a view? You are making a comment there about putting a rail link under threat. Do you have an idea that you are going to replace all that—you are going to have growth in shipping or you are not going to have growth in shipping?

Mr Hubbard—I am sorry, I need to clarify a point there. One of the issues is whether the rail link into the port of Fremantle is essential for transcontinental rail services because, currently, the overwhelming majority of containers that go through the port and traverse to the eastern states do the first part of their journey by road. They are roaded from the port of Fremantle to Kewdale and loaded on to trains there. In saying that there were some question marks over the future of the rail link into the port, it does not follow that, if that link was not there, it would necessarily jeopardise east-west rail services.

Mr McDUGALL—All other ports want to get rail into the port—why do you want to get rail out of the port?

Mr Hubbard—We are not trying to get it out of there. One of the issues to be considered is the long-term strategic benefit of maintaining that rail link.

Mr McARTHUR—Why would you contemplate shifting it out of the port?

Mr Hubbard—For other reasons. As I said, the redevelopment of the Leighton marshalling yards will sever the existing link, so there is a capital cost involved in replacing that existing link. At the heart of the issue is whether you look at that purely in commercial terms where there is not a great deal of traffic on the existing line or whether you look at it in broader strategic transport terms whereby, even if that link may not be commercially justified in the short term, it may well be worth keeping for its strategic value. It is very difficult to forecast what is going to happen to modal shares of transport, and that is the sort of balancing act that the government is going to have to do. Reinstatement of the link, once it is severed, may not be justified—

Mr McARTHUR—We would find that attitude surprising because wherever we go we find people want to get rail access to the port in the most efficient, effective manner.

Mr Hubbard—Yes.

Mr RANDALL—The question there is that the Leighton freight terminal has a beautiful view over the ocean and it would make a nice oceanside suburb. That is what you are alluding to, aren't you?

Mr Hubbard—Yes.

CHAIR—Can you get the same access through the suburban network or are you going to have the same problem that they have in Sydney, and that is now developing in Brisbane, if you start putting freight through a suburban network?

Mr Hubbard—At the moment, the suburban passenger network stands quite distinct from the freight network. I think we would want to keep it that way because of the problems with Sydney. When you have 15-minute headways on passenger rail cars, it is obviously a problem for freight trains. There are also problems of clearances with the overhead catenary and so on.

CHAIR—We have got quite behind, colleagues. Mr Willis is going to round off the questioning.

Mr WILLIS—I want to come back to one point I was going to ask you some time ago. I was pleased to hear what you had to say about the state rail access regime that you have nearly completed and are hoping to put to the NCC shortly. In that context, you mentioned the pricing policy and you promised to bring back a short paper on that. I just wanted to get clear from you the sorts of principles that are being pursued there. Essentially, when it comes to pricing for access there are two basic ways you can go. One is to adopt the marginal cost approach to say that the access charge ought to be a charge which reflects the additional cost

imposed on the infrastructure operator by this third party coming on. The other one is to seek, in addition to all those marginal operating costs, a contribution to the fixed costs of the operation, a return on investment. Which way is the Western Australian government going in its pricing regime?

Mr Hubbard—Under the code, the two approaches that you mentioned are described as a floor and a ceiling. It will be up to Westrail and the operator to negotiate a rate within that band. They will have to reach agreement on a commercial basis within that band. The scope for arbitration will provide a check on where those prices fall. The prices that Westrail charges itself for access for its own operations will be a relevant reference or benchmark for any arbitration proceedings, and the requirements that are in the code that Westrail will need to treat applicants fairly and equitably. We believe that will result in an outcome which is satisfactory to all parties. I would point out that, even in the absence of a code, Westrail has negotiated access agreements with three interstate operators. They have been running since the advent of National Rail.

CHAIR—Thanks very much, Mr Hubbard, for your evidence. You can tell from the questioning that the members are very interested in your statement, and I thank you for the frankness of your answers. You will get back to us with that one-page statement.

Mr Hubbard—Yes, I will. Thank you very much.

[10.00 a.m.]

JAMES, Mr Wayne, Acting Commissioner, Railways, Westrail, Westrail Centre, West Parade, Perth, Western Australia 6845

RYAN, Mr Tim, Acting General Manager, Central Region, Westrail, Westrail Centre, West Parade, Perth, Western Australia 6845

CHAIR—Mr James and Mr Ryan, although you are not under oath, these committee hearings are legal proceedings of the parliament and as such warrant the same respect as those of the House of Representatives. Would you give us a three-minute overview of your submission. I'm sorry, you did not make a submission—I mean your presentation.

Mr James—I have a couple of points that I would like to make to the committee. First of all, there has been a focus on interstate rail, but I have to make the point that intrastate rail is extremely important to Australia's economy. In fact, in Western Australia and in Westrail's business, 94 per cent of our business is export driven. We at Westrail are doing it very well. Our customers are happy with the current efficiencies and progress towards continuous improvement. But, in my opinion, rail can do better.

From my point of view, the issue facing governments at the moment is not one of road-rail competitiveness but one of maintaining rail share and growing it, with the inevitable increase in volumes of freight as Australia develops into the next century. Infrastructure provision, therefore, is very important for Australia. Because of Australia's sparseness, infrastructure provision is going to be a costly burden, but it is one that we have to bear if we want to achieve international competitiveness. Therefore, I put it to you that the competitive neutrality in respect of the current road-rail infrastructure funding is very dubious. Infrastructure provision for road and rail in the future must be equitable for true competition to prevail.

As a final point, the committee has indicated a concern about the lack of uniformity of standards in the national network. This issue was addressed recently by the Maunsell report for the ATC, and it is my opinion that a major change can be readily achieved by implementing this report as a matter of priority. From a practitioner point of view, I believe that we can achieve that in a very short time frame, because it has been an issue that has never been addressed by track owners in the past, given that we have been state bound and not focused on an interstate corridor and national standards.

Mr Ryan—Mr Chairman, I would like to clarify the point about not making a submission. We were consulted on the submission that the Department of Transport presented, and we support that submission.

CHAIR—We are not precious about this. The main things we want to talk to you about are, obviously, being Westrail, the operational aspects. You probably heard the last question I asked. I do not want you to feel inhibited from a policy point of view. I would like to hear your general view of the concept of a national track from the port of Brisbane and the port of Fremantle and then perhaps tracks of national importance and then perhaps a program to try to iron out the hot spots between Perth and Brisbane. What is your view on that as a general policy?

Mr James—I concur that is the right direction to go in for us to be internationally competitive in the future. The model being put forward currently through the ARTC, the mechanisms in respect of funding and contribution from owners, operators and the Commonwealth in terms of supporting where maybe commercial justification is not necessarily there at the moment, is in my opinion the right way to go.

CHAIR—There was a mention somewhere—it might have been from the transport department—that you are coming to the end of a rail upgrade program in Western Australia. Does the line from Perth to Kalgoorlie play a major part in that or are there still some weak points on that track?

Mr James—In terms of the national network and in terms of what operators perceive as our next state-of-the-art commercial driver, the section between Koolyanobbing and Kalgoorlie is a lower track standard in terms of speeds and axle loads. It is not consistent with the rest of the track from Melbourne right the way through to Kwinana, Fremantle.

CHAIR—What would be the distance?

Mr Ryan—About 235 kilometres.

CHAIR—What are the worst speed restrictions?

Mr James—It is in the track standard. It is 19-tonne axle load at 90 kilometres an hour, versus our desired position of 115 kilometres an hour at 21-tonne axle load. That would be the first target we would be looking to achieve there. That can be achieved by replacing the timber sleepers with concrete sleepers. That would make that particular track structure consistent with what is across the desert with the ARTC. We have put a proposal to the ARTC that we would contribute our timber recycling cost to the upgrade as a contribution to putting concrete sleepers in there.

Mr WILLIS—What do you mean by timber recycling cost?

Mr James—Every seven to eight or nine years you have to go through and re-sleeper worn out timber sleepers. What we are proposing is that we will contribute that amount of money—that is, to the extent of some \$25 million—at the time when the ARTC are coming through. If they contributed the make-up we could get state-of-the-art track with a joint contribution.

Mr WILLIS—What would the make-up be?

Mr HOLLIS—What is the difference between the two?

Mr James—I believe that concrete sleepers would be in the order of \$45 to \$50 million to do the whole job.

Mr WILLIS—So you are about half.

Mr James—It is the right mechanism where you can contribute ongoing maintenance money to it.

Mr McARTHUR—What is the total distance from Perth to Kalgoorlie?

Mr James—It is 650—so that track is a bit over a third.

Mr HOLLIS—Apart from that part of the line, what is the condition of the other lines in Western Australia? I heard someone say they are finishing an upgrade. In general, is the condition of the lines good, bad or what?

Mr James—They are fit for purpose for the current task that is out there. If you look at the higher volume lines such as Perth to Bunbury, that is in good condition. If you go right out to the bottom end to a branch grain line, it is a very low, fit for purpose line. It is marginal business and we run it that way.

Mr HOLLIS—Those wheat lines would only be used part of the year. I saw somewhere in the papers that in March there was some report that half a dozen lines were being closed down.

Mr Ryan—We have done a strategic review of the grain lines. We have about 4,000 kilometres of narrow gauge track predominantly used for grain. There are six more bits of it that are being proposed to close which in total might add up to 200 kilometres. In most cases they are not worth repairing because the grain is being carted to alternative locations. We are saying that we can maintain the vast bulk of the grain network out there fit for purpose at the standard at which we want to operate it for the grain business.

Mr McDOUGALL—Talking about speed restrictions, have you got to set yourselves a figure in relation to a percentage of total train run time in regard to speed restrictions? Have you set yourself a benchmark?

Mr Ryan—We are negotiating with National Rail on performance standards. We think that figure ought to be about 95 per cent of total train run time. I will clarify that. That is on run time and that is taken out of it crossing to other trains. It is a modelled run time rather than a measure of, say, a percentage of the track under speed restriction. You can have some very small speed restrictions in terms of distance which would have huge impacts on run time and you can have some long speed restrictions that have virtually no impact on run time. So it is a model run time at 95 per cent of track standard.

Mr McDOUGALL—Have you ever had a standard or has it always just been taking pot luck?

Mr Ryan—The standard has traditionally been expressed in terms of length of track under speed restriction. That has always been at 95 per cent. That does not give you an indication of what it is going to do to train run time. In fact, it is quite false. You can get to 95 per cent of your track in distance at normal track speed and still have major run time impacts.

Mr McDOUGALL—In relation to rolling stock, what sort of utilisation do you work on? When I say 'utilisation' I mean utilisation of wagons and rolling stock. Do you have a benchmark you have set? Are you overstocked in rolling stock? Do you utilise it properly? Have you got a lot of rubbish that you do not need? Where are you at?

Mr Ryan—Our key operating strategy is resource utilisation. We have a relatively modern and very small fleet of wagons. We don't have much that is available for any other use. To give you an example, in an Australian Wheat Board study last year our grain wagons achieved the highest tonnes per wagon per year that the Wheat Board could find in the world. Our key focus is resource utilisation—doing more with what we have. We express that in targets of millions of NTKs, depending on which of the businesses we are in. I can get you some details on that if you are interested.

Mr McDOUGALL—The point I am really interested in is if some private operators come around for access and want to lease rolling stock off you, have you an ability to do that or are you going to say to them, 'Through the access regime you are welcome to come into the place but you are going to have to supply your own rolling stock'?

Mr James—That would be the case. We have cut our resources to fit for purpose and have eliminated any surplus resources.

Mr McDOUGALL—Does that go for locomotives as well?

Mr James—Yes.

Mr McDOUGALL—In relation to access, we heard from the Department of Transport that it would appear that your freight lines are separated from your urban lines predominantly, so you do not have much interface.

Mr Ryan—Totally.

Mr McDOUGALL—They are totally separated?

Mr Ryan—There is about one kilometre as you go into north Fremantle on the current link.

Mr James—Bear in mind there are two different gauges applying. The urban passenger network is run on a narrow gauge; The interstate network is standard gauge.

Mr McDOUGALL—Sure, but you have several areas where you have dual gauge.

Mr James—Yes.

Mr McDOUGALL—Who gets priority through the access regime? If you have read any reports from the previous evidence given, there is a hell of a problem in Sydney. Who gets priority here and what is the future going to be?

Mr Ryan—It is not an issue because the dual gauge track is not in the passenger network. The dual gauge track is between Midland and Avon, through the Avon Valley, and it is a double-track dual gauge—so it is two tracks, one in each direction, and dual gauge—

CHAIR—What about interstate freight on that line? Do you carry most of that on the standard gauge or on the narrow gauge?

Mr Ryan—All of it is on the standard gauge.

CHAIR—Other than the national operators, do you have your own standard gauge rolling stock and locomotives?

Mr Ryan—Yes. In terms of tonnes, about 60 per cent of all the tonnes on the standard gauge between Perth and Kalgoorlie is Westrail's, and about 40 per cent is interstate.

CHAIR—What is the breakdown of the standard gauge and the narrow gauge of your 60 per cent?

Mr Ryan—About 20 per cent would be narrow gauge down this bottom end. There is only a small portion where it runs together.

CHAIR—Does that answer your question?

Mr McDougall—No, I do not think it does.

Mr Ryan—The priority is allocated on agreed timetables, so all trains are timetabled and parts are allocated to the operator, whether it is NRC or ourselves or any other interstate operator. Whoever is on their path and on time has the priority in accordance with the agreed and negotiated timetable.

Mr James—There is one other component, which I think you are getting back to, which is urban passenger transport, where the conflict is in the north Fremantle area. There is a curfew during the peak in the morning and in the afternoon. Apart from that, they—

Mr McDougall—There is a curfew on freight trains?

Mr Ryan—Yes, for about four hours a day.

Mr McDougall—So you have a similar situation to Sydney's?

Mr James—For that three kilometres of track.

Mr Ryan—No, it does not even rate.

Mr McDougall—So you are talking about over Fremantle?

Mr Ryan—Yes, that is all.

Mr McDougall—Is one of the reasons why you want to get rid of the port access to freight trains into Fremantle so that you can get urban—

Mr Ryan—No.

Mr James—No. The issue of the access to North Quay is that we see that there is a commercial justification. It is all done by road. It is about three to four per cent of the movements done by rail at the moment.

Mr McDOUGALL—Does that take a national perspective if you want to have this national rail highway from the port of Brisbane to the port of Fremantle?

Mr James—The port of Fremantle has two components: North Quay and the outer port, which is Kwinana. The issue really is where the long-term port is for Perth or Fremantle in terms of where we invest our money for a national rail network. I am not sure what the answer to that is.

Mr McARTHUR—What is your prediction? Are you prepared to give a view?

Mr James—I think the Kwinana area, 10 or 15 years out, will be the more likely interstate container area. That will be the trend in the long term.

Mr McARTHUR—Do you have a rail connection with Kwinana?

Mr James—Yes.

Mr RANDALL—Mr Chairman, I am not sure whether the rest of the committee is aware that there is a proposed new port, not to supersede but to provide an alternative facility away from Fremantle.

Mr Ryan—It might help if we, together with our colleagues at the Department of Transport, sent you a briefing note on this.

CHAIR—Yes, could we have that information and a map.

Mr Ryan—There is another issue there in that the rail does not go onto the wharf at Fremantle; it goes into a container park that is set back from the wharf.

CHAIR—There is a wider question here that I would like you to address before we move on. In practical terms, are you increasing the utilisation of rail? I am not trying to throw another state at you, but you are probably aware that Queensland has spent a lot of money on the Brisbane to Rockhampton line, its tilt rail and increased freight services. Have you got any comparable things happening here in the way of greater utilisation of rail? Is there the capacity for a private interstate operator to get involved?

Mr James—In terms of the market, over the last five to eight years our rail market has been growing steadily at two or three per cent across the board. The prospects in front of us are very good in terms of intrastate business, and that is associated with the development of the state in terms of the new nickel operations in the Kalgoorlie area—the Murin Murin type ventures—and iron ore is increasing out of Koolyanobbing.

The grain industry has just commissioned a report. We have had record tonnages in the last three

years. Our latest tonnage was 10.7 million tonnes. They are predicting that by the year 2005, through farm technology, we will have average tonnages of 14 million tonnes. So the volume and growth out ahead of us is really—

CHAIR—Is that growth purely in the bulk field or are you growing in your general freight and passenger services as well?

Mr James—Our general freight business to Kalgoorlie, which is where rail is competitively attractive, has been growing, but that is very much again about the development of the area.

CHAIR—What about up the north coast?

Mr James—We do not do any general freight other than Perth to Kalgoorlie. The rest of the general freight is handled by road transport in the lower south-west portion of Western Australia.

CHAIR—Do you still have the line to Geraldton?

Mr James—That is the grain network.

CHAIR—There are no longer any passenger services?

Mr James—No. With our rural passenger services we run the *Prospector* service to Kalgoorlie and we run the *Australind* service to Bunbury. Those services are not declining; they are increasing. The urban passenger service is increasing, given the new—

CHAIR—I want to come back to that. I do not want to rob my colleagues of time.

Mr WILLIS—Gentlemen, I understand that Westrail had a profit of \$42½ million last year. Does that include a payment for a community service obligation, a payment from the state government to cover loss-making operations?

Mr James—No, it does not. That is a commercial profit on the freight business. We get an explicit contribution for the rural passenger service—that is, rail and buses—from the Department of the Treasury, and we run under contract to the Department of Transport for urban passenger services. That is not in that \$42 million.

Mr WILLIS—In relation to the country, what is that payment from Treasury? How is it worked out?

Mr James—I cannot remember the exact amount. I have in my mind that it is around \$23 million. It is worked out on—

Mr Ryan—The services are agreed and we run them. The difference between the revenue they generate and the cost of running them is provided.

Mr James—And cost of running them, including their fair usage of the track. I can provide you with a paper on that, if you want one.

Mr WILLIS—If you would not mind. Also, you were saying there is no CSO in relation to the urban rail system that but you operate under contract. Would you explain that a bit further?

Mr James—The CSO is through the Department of Transport with the government. We are the operator for urban railway. Perth is unique as a capital city in terms of its transport services. It is the only capital city that runs an integrated transport service. The rail, the buses and the ferries run as an integrated package, not against one another. That is where the Department of Transport, under TransPerth, coordinate which mode of service will do which task.

Mr WILLIS—That is pretty much the case in Melbourne where you can buy one ticket on a tram or a bus and it works on rail.

Mr James—That is only the ticket, but you have competitive bus services and trams running against one another. We do not do that here.

Mr McARTHUR—That is, if you can buy the ticket.

Mr WILLIS—Yes.

Mr James—We have a few problems like that too.

Mr McDOUGALL—On Mr Willis's figures, is there any capital component to that CSO? Could you come back on that?

Mr James—Yes.

Mr WILLIS—In relation to urban transport, the big development here, as I understand it, is the northern suburbs rail service. That has been going for a few years now. How has that performed against expectations?

Mr James—It has outstripped our projection for patronage in the year 2000 and we are now waiting for the delivery of another five rail car sets to support the passenger growth. They will arrive at the end of this year.

CHAIR—In segmenting the various urban tracks, is it possible to say whether that is a profit making one or not?

Mr James—No, it is not profit making, and I fail to see how you could ever provide a commercially viable urban passenger system with rail.

Mr WILLIS—It is quite a unique development. I do not know whether my colleagues realise that this

railway runs up the middle of a freeway; there is the freeway on both sides and the railway track in the middle. The whole system, the freeway and the road, was all built together as I understand it.

Mr James—The road came first, and they then decided that they were going to put the railway on it. We found some innovative ways to do it. The stations are there, so you have your transport interfaces.

Mr WILLIS—To what do you attribute the fact that the performance has been so much better than you expected? Is it growth in the area that has been spurred by the rail?

Mr James—There are two reasons. The provision of rapid transport has absolutely expanded the growth of the area all the way up and further past the end of the line. The other issue is the acceptance by the new generation—our children—that it is a very acceptable way of transport: a fast, clean electric service. I know in my case, and I live in the northern suburbs, that once that was provided our children had access to Fremantle in a very short route. We could not get there in the past by bus. It was very long, and it just did not happen. The younger generation, in my opinion, are accepting rail, very much like it is in Melbourne and Sydney, as part of their daily thing, whereas the older generation are still very much in their cars, and it is hard to get them out.

Mr WILLIS—Are there plans for expansion of the urban rail system?

Mr James—Yes, there are. Currently, a master plan is being prepared for the extension to go south to Rockingham and to Mandurah.

Mr WILLIS—South from where?

Mr James—From Kenwick, Jandakot—

Mr WILLIS—So it is not the Fremantle line?

Mr James—No. It is out where the residential areas are, not the Fremantle line. There are also plans for further extension of the northern suburbs railway at an appropriate time.

Mr RANDALL—Recently, your *Transform WA* brochures have come out for the extension of the freeway right through to Mandurah. The southern freeway crosses the Narrows Bridge there. I will be a political stirrer by saying that I think there is a good argument to bring the railway—as for the northern line—in conjunction with the extension of the freeway down the middle of the southern Kwinana freeway. I think it would be far more acceptable to the public to use the Kwinana freeway to go south as an extension of the urban rail network rather than going via Kenwick. Do you have a comment on that? You probably do not want to.

Mr James—I will make a personal comment. My perception is that you need to put the rail network where the people actually live so that you have capture of patronage either side, provided there is an efficient loop around the other way through Kenwick and Jandakot in comparison with just going down the freeway. Going down the freeway there is a very established area with a river on one side and with no future

development of housing. I think you have to balance that with the right locality to serve the people. Yes, I agree with you that it might be a shorter route, but I do not see the expense or the opportunity for the rest of the patronage. I question what the people will do out where all the development is going for Perth in the Kenwick-Jandakot route. That is a government decision; that is a transport planning decision and Westrail is not the transport planner for Western Australia. That is my personal opinion.

Mr WILLIS—I have one other question, which goes back to the freight area. We were told that you have reduced your freight charges over the last couple of years. Is that due to the fact that you now have three competitors coming from interstate—that is, National Rail, SCT and Toll Rail—or was it due to some other factor?

Mr James—No. It was not because of interstate competition. We are not in interstate competition at the moment. That was a result of us striving for international best practice for our export customers. We went through a modernisation program. Some 2½ years ago there were about 3,700 people in Westrail; today there are 1,630. As part of that modernisation program, we looked to buy 30 new locomotives; we have bought 15 of those so far, and they are on the way. It was about internal efficiencies and providing a lower cost structure for our intrastate export driven market. It was not the result of any competition. Westrail is yet to face that.

Mr WILLIS—So you are saying that the interstate operators have had no impact on Westrail at all at this stage?

Mr James—Not yet, no.

Mr WILLIS—When you say, ‘Not yet,’ do you see yourself as being an interstate operator in the future?

Mr James—No.

Mr WILLIS—If you were privatised, a private operator might certainly see that as an issue?

Mr James—They might do. But it is a very competitive market in that area. It is a market that I personally believe can be driven only by the freight forwarding industry, which can collect loads and optimise filling up a train and then cascade loads to either road or sea in terms of making it commercially justifiable. We do not see ourselves as an interstate operator; we sold that business. Our expertise is in bulk transport, short haul and passenger services. That is our business position.

Mr McARTHUR—I have three or four issues. Have you contemplated standardising any of Westrail’s lines?

Mr Ryan—No. We had a look at a couple of narrow gauge grain lines, but against the cost of standardising the benefits were just not there. There is no inherent efficiency arising out of standard gauge as against narrow gauge. You can run as big, fast and heavy a train on narrow gauge as you can on standard gauge.

Mr McARTHUR—The Australian Wheat Board has given you a big tick for your performance in shifting the grain harvest. Firstly, if you took the grain handling operation out of Westrail, what would be left? Secondly, would you think of privatising that grain freight handling operation?

Mr Ryan—In broad terms, grain is about seven million tonnes out of about 33 million tonnes in the freight business group. Despite the fact that I am responsible for it, it is our most marginal business. It is a very difficult logistics exercise to haul it from where it has to come from and to meet shipping requirements. I would have to say that our other business is much more profitable than the grain. Privatisation is an issue that the government will consider. But in terms of size grain is about a quarter of our business.

Mr McARTHUR—I note that the Victorians are contemplating privatising their free line freight.

Mr James—Can I perhaps talk a little about privatisation. Westrail has identified that, given there is going to be a third party track access regime within Western Australia, more than likely legislated within six or seven months, and given the sale of the old Commonwealth Railways AN and the proposed sale of National Rail, the likely competitors facing Westrail in the future are going to be private owners or private railway operators.

I personally see that, if we remain as a government utility with the corporate governance requirements on Westrail, as compared to the corporate governance requirements on a shareholder, the playing field is not level anymore. Therefore, Westrail—not the government—has initiated this review into privatising Westrail in light of looking at how we compete in the future and how we can make the playing field level.

Mr McARTHUR—And look at your urban passenger service as well?

Mr James—I believe that, because of our isolation from the other states in terms of a rail operator and because of economies of scale, the appropriate model for Westrail—and this is just my opinion at the moment; it will be proven in a scoping study—is one of running the whole of the current rail business, the passenger and freight business, as one company. It would obviously be under government CSOs and those sorts of things, but that is no different from other people. For us to deliver the best service for our customers, segregating will only add additional costs. That is what I believe.

Mr McARTHUR—You are pointing out to the committee that those philosophical arguments are being undertaken now and you will get a resolution in the next six to 12 months.

Mr James—I am hoping to make a recommendation to government by about July this year and then the government really has to determine what its position on it is. It is one facing us right now and—

CHAIR—You want to be ahead of the game rather than behind.

Mr James—Exactly, and that is our agenda at the moment.

Mr McARTHUR—Could you give the committee your attitude towards the Pilbara private rail operations in terms of what we saw to be an excellent performance with good benchmark standards, good

safety standards and very good outcomes? What is Westrail's attitude to that particular highly efficient railway operation within your state?

Mr James—In my opinion, the Pilbara railways are international best practice in heavy haul. They lead the world in that area. In terms of comparing them back to Westrail, we run a mixed freight passenger business and that is a different business, but they are in my opinion international best practice.

Mr McARTHUR—Is there any interchange in the culture of the Pilbara railway system and Westrail?

Mr Ryan—Routinely. In fact, we play a regular game of recruiting off each other. You will find that a large number of staff in the Pilbara are ex-Westrail staff and, after they have done a run up there for a while, we buy them back.

Mr McARTHUR—Do you pay them more money?

Mr Ryan—No, they pay them more money in the Pilbara. We also have regular interchanges with them on technical issues.

Mr McARTHUR—Has there been a beneficial effect on the railway culture of both outfits?

Mr Ryan—Absolutely.

Mr James—In this state there has. We have had the benefit of that.

Mr Ryan—You would see, for example, that the north-west railways were one of the first to introduce the locotrol technology—that is, the remote controlled locomotive. We run that here and largely we learnt about that from watching their operation and building on their expertise. So there has been a high degree of transfer of technology and people.

Mr McARTHUR—Finally, could you give me some observations on the access to interstate, to Adelaide to Perth? We have had a lot of evidence to this committee about arguments, access, charge rates and the inability to get some long-term contracts. Private operators have indicated all kinds of difficulties to us, both at the committee level and otherwise. What is your general attitude to this whole problem of private sector access to that line?

Mr Ryan—I have been responsible for all those negotiations. Notwithstanding that there were some problems, most of those arose out of the fact that nobody had ever negotiated an access agreement in Australia before and we were not quite certain about the terms and conditions of it.

The reality is that, without the assistance of a competition policy or any legislative framework, Westrail have three very long-term access agreements with interstate operators and got there reasonably well. All of them are on commercial terms. The agreement with the NRC is now in its fifth year. Because we are not a shareholder that was on absolutely commercial terms, as is the agreement with SCT. Incidentally, the NRC agreement is a 20-year agreement. The other two are 15-year agreements.

Most of the difficulties that have arisen for people negotiating access in Australia have been because there is a series of other changes happening as well, for example, rail safety legislation coming into play and occupational health and safety legislation. The big issue has been liability. In the past, when you simply had one owner and operator as a vertically integrated operation out there, the liabilities all rested within one corporate entity. We have already had a number of reasonably serious incidents with interstate trains and the liability issue as to who is responsible and who is legally liable for the damage and so on is extremely complex. It is an issue that nobody has ever dealt with before in the rail system, or the insurance industry for example, and those are the issues that tended to stop the progress. Once those agreements have been signed the trains have operated without much difficulty at all.

Mr McARTHUR—You do not really see the problems drawn to this committee's attention about the difficulties at both ends—in Adelaide and in Perth?

Mr Ryan—We do not because we are on the end of it and the timetable for trains running from the east will be dictated by access in Sydney and Melbourne. We have a real problem here that all of our interstate trains run in about a six-hour window three days a week. That is because they are trying to get out of Sydney and Melbourne and can only get out in blocks. Melbourne is a bit better now, but internally we call it the rat pack. It comes across as nine trains in about a four-hour window and if any one of those trains goes wrong you have a major problem. So on our track, for short windows of the day, the interstate track is totally occupied and then for large periods of the day there is nothing on it. There is no use putting trains on at that time because they cannot get into Sydney in particular.

CHAIR—On that point of Adelaide to Melbourne terminuses in terms of passengers, we have had evidence from one of the new private operators that Australia's railway stations were a disgrace—I do not know if that was the word that he used but that was certainly his inference. He said that if we want to compete with interstate passengers, or even some intrastate lines where there are bigger runs as in Queensland, we need to smarten up our railway stations and that rail needs to be an experience associated with functionality, promptness, cleanliness and attractiveness. What is your comment on that? Do you have a smartening up policy? You are the terminus of the transcontinental railway.

Mr James—We have a well-presented terminus here in Perth when you have a look at the east Perth terminal, because that is where they come to. We would have one of the more modern facilities and I believe we are presenting that to the best of our ability.

CHAIR—Do your intrastate passenger services go to east Perth as well?

Mr James—Yes, they do. The standard gauge *Prospector* service from east Perth terminal to Kalgoorlie and servicing all those stations does. The *Australind* service comes from Bunbury into Perth terminal—right into the city.

Mr WILLIS—How far from town is the east Perth terminal?

Mr Ryan—Two suburban train stops.

Mr McARTHUR—If I could revert to the window of opportunity argument, we have been told by other witnesses that there is no problem about access at Tarcoola for a Darwin to Adelaide railway. You are really saying is that you have a six-hour window to get from east to west. Would you give us a comment on the Darwin to Adelaide line and the ability to make access for that northern traffic in view of your problem?

Mr Ryan—To where?

Mr McARTHUR—Darwin to Adelaide. The question was raised as to what the access was from Tarcoola to Adelaide. It was reported to us that there was no problem. You are saying to us there is only a six-hour window of opportunity.

Mr Ryan—Sorry. No, Tarcoola to Adelaide would not be a problem. It is the problem that they all come together in a bunch that is the issue, and it occurs on the east coast.

Mr McARTHUR—You are telling us that there is no problem of the Tarcoola—

Mr Ryan—No. I am saying if we get a six-hour window that is occupied, the other 18 hours are not.

Mr McARTHUR—So that would be okay for the Darwin proposal?

Mr Ryan—Yes. Tarcoola to Adelaide is not an issue.

Mr James—There should not be a problem.

Mr McARTHUR—Do you have any comments on the Darwin proposal?

Mr James—I will refrain.

Mr McARTHUR—Everyone else is an expert. Why don't you have a go?

Mr Ryan—We look forward, in our requirement, to riding a passenger train.

CHAIR—You want the new line to go via the Pilbara, do you?

Mr WILLIS—Can I add to the point that you are making, Mr Chairman, that the witness who complained about the state of the passenger terminals is an operator who comes here—the *Indian Pacific*. What they are concerned about is, for people who are paying very high prices—first-class passengers, particularly from overseas—that when they get out there is no-one to cart the luggage and there might not be taxis, that they are not in the middle of town and that generally there is a lack of facility available. Is this something they have raised with you or is this something you are hearing for the first time?

Mr James—We are hearing for the first time that it is a major issue. I will take it on board.

Mr WILLIS—Great Southern Railway have raised this as a matter of some concern to them,

particularly in their capacity to impress overseas visitors who are paying lots of money to travel on these rail experiences.

Mr Ryan—Our agreement with GSR is that they have access to our terminal to run whatever services they like.

CHAIR—It goes a bit further than that. I think they are looking not just for you to have the place tarted up. They are looking at a fresh look at rail passengers, somewhat akin to what we now have at airports with the Qantas Club and things like that. They want to have space where they can do that sort of thing, where rail becomes an experience, where people can come in and have a cup of coffee, have cloaking facilities, and so on, for their passengers. Is that capacity available at east Perth?

Mr Ryan—More than available. It is up to them. Yes, there is space available and they could provide any service they like there.

CHAIR—Do you have plenty of porters and that sort of thing? You are the major terminus.

Mr Ryan—We are not in the passenger game. We do not have porters.

Mr James—We are not in the passenger business. If they want to run a porter service, that is their function.

Mr Ryan—If they want to run a porter service, we will provide them with space to run it in. Why would we have a porter service for a train that arrives twice a week?

CHAIR—Do you run porters for your Kalgoorlie service?

Mr Ryan—No. That is a walk-on service.

Mr RANDALL—Given the competition and privatisation aspect—you have mentioned the Kewdale marshalling facilities—there was some talk, although I might not have understood it well enough, that you were subleasing sections of the Kewdale yard to some of the private operators. Do you have surplus requirements? Is there plenty of room for the private operators to have sections of that yard and what is the long-term future for that freight interchange facility?

Mr James—Kewdale has the capacity to house three interstate operators. At the moment we have two interstate operators currently housed there—National Rail and TNT Toll. SCT were looking at building at Canning Vale. That is where they wanted to locate for business terms. That has been denied through other processes. SCT are currently looking at investigating options in the Forrestfield yard where we have more land available. That is the current option. For our intrastate business, we currently use Sadleirs to do our work to go to Kalgoorlie. They have another yard that sits behind the interstate operators. So there is adequate room.

Mr Ryan—You asked about that issue earlier. We do not actually own an interstate terminal any

more. There are three, with potentially five. Our terminal for containers is contracted out to a private landholder adjoining the railway. So it is not an issue.

CHAIR—Philosophically, Western Australia does not mind private operators developing terminals and you will provide not the branch lines in but the artery through the area.

Mr James—That is right. In the Kewdale area, there is what you would call the main line that connects and runs through to enable each operator to access his terminal. That is part of what we call the main line track access that has to be available and is common usage to all parties.

CHAIR—Before we finish—and we have not had a chance to investigate this with you in the time available—we are asking the various operators how they fund their CSOs. We would like to get a bit of a feel for your passenger journeys and your loss factor on the suburban service—excluding Bunbury. Do you rate the Bunbury service as a suburban service?

Mr James—No.

CHAIR—QR treats their Caboolture and Gold Coast services as suburban services.

Mr McARTHUR—Could we get a map of the urban passenger services?

Mr Ryan—When we give you the Fremantle map we will give you the urban map.

CHAIR—We are pretty simple people, so you will probably need to colour-code them.

Mr Ryan—I do not know whether they are already colour-coded.

Mr McARTHUR—It strikes me that you have some interesting developments in new rail which we have not found in other capitals, so you might just make it as simple as possible because—

Mr James—It has passenger journeys and freight.

Mr McARTHUR—We might get you to comment on that discussion about rail versus freeways. Some of us find that an interesting concept. There is an interesting problem in Victoria with the Tullamarine Freeway and the possible rail connection.

CHAIR—If I could make a closing comment as a Queenslander, I always see a lot of similarities between Western Australia and Queensland. We inspected the tilt rail and we have taken a run on that and on the *Orient Express*. It surprises me that your north coast line does not have a parallel function to the Queensland north coast line. What is the reason for that? Is it the bus traffic?

Mr Ryan—It only goes to Geraldton for a start, and there is not much between here and Geraldton.

Mr James—We do not have the volume of patronage.

CHAIR—How long since passenger services went up that line?

Mr James—About 20 or 25 years—it might even be 30. It was back in the 1960s, or even earlier.

CHAIR—Thanks. That has been very stimulating evidence. Yours is obviously a very innovative railway system. I am sure that your evidence will add to the fabric of rail in Australia. If you could come back to us on the matters we discussed, we would be most grateful.

Mr James—We certainly will.

Proceedings suspended from 10.53 a.m. to 11.08 a.m.

[11.08 a.m.]

ANGELUCCI, Mr Joe, Operations Manager, Rail Division, John Holland Construction and Engineering Pty Ltd, 10th Floor, Durack Centre, 263 Adelaide Terrace, Perth, Western Australia 6000

TASKER, Mr David Robert, General Manager, Rail Division, John Holland Construction and Engineering Pty Ltd, 10th Floor, Durack Centre, 263 Adelaide Terrace, Perth, Western Australia 6000

CHAIR—I welcome to the table representatives from John Holland Construction and Engineering Pty Ltd. Also, while you are not under oath, you realise that committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House of Representatives. Mr Tasker, could you give us a three-minute overview of your submission and then we might break into questions?

Mr Tasker—Firstly we thank you very much for the opportunity to appear and comment on the railway industry. As a railway contractor, we are part of a group who are relatively small in a total railway expenditure context. However, we have sought to achieve and have achieved mainly through the Westrail contract a much greater participation in the industry in the last two or three years. Over the years, while available work for specialised railway contractors has been limited, they have been the ones to introduce a lot of the major changes in the operations of railways through track laying machines, tampers, mobile flashbutt welders, et cetera.

As part of the industry, we see a need for an infrastructure manager to be both an informed client and a responsive provider. Our preferred position would be for a single provider responsible for the main line network without state bias and with an initial brief to provide a minimum standard of track from Brisbane to Perth effectively. This would provide a single point for multiple operators to deal with, based upon a separation of the infrastructure and the operation. We strongly believe that it is the operators who will provide the growth of the transport share. Many of these operators will have a history in road. The road lobby will only pursue one mode of transport if they are precluded from participation in the rail by legislation or by structure.

We believe that Westrail has been ahead of its time in its outsourcing of the internal operation and maintenance. While it still appears to be an integrated railway, the infrastructure section has maximised competition by outsourcing the maintenance while at present there is a single operation, except for the standard gauge. So there is a single operator but there are multiple maintainers.

To sell the railways as vertically integrated appears to reduce the amount of competition within the industry. We do not believe that Australia is totally comparable with America with a huge transport task they have there. We should also note that in America the number of major integrated railway companies is reducing as they merge and buy each other out. If the last of the mergers are approved, they will be down to two major groups and a number of short-line operators. Such a rationalisation in Australia would not necessarily be good for the operator competition.

A fundamental issue in terms of funding is for the infrastructure provider or the government to clearly define the role of the rail industry and the transport task that it has as its target. This should then help define

the total road-rail transport strategy and infrastructure needs. The operation of the rail transport should then be opened up, with operators treated equally and with a cost structure which will enable the transport and infrastructure requirements strategy to be met. I do not really believe it is all that complicated, but it requires a lot of foresight and political will to make it happen.

In many cases, even the report from this committee will have been overtaken by independent decisions taken in isolation in other states around the country. We are already seeing organisational and structural impediments and complications which could make changing gauge look not that complicated. Why does track access adopt an adversarial contract? If we look at some of the individual situations, the general condition has effectively eliminated or has caused major players in the maintenance area to shy away because of the nature of the contract; whereas other people are looking for a different type of contract which is in sympathy with what they are trying to do. It is largely based on the common railway situation across the country, and that is every railway is different. We believe that the industry is bigger and is more important than the parochial bias. It is desperately in need of a direction which reflects a national plan.

CHAIR—Thank you for that. It is a very interesting submission and your comments on the effective and efficient use of the rail are quite pertinent, and they mirror some of the statements that have been made by best practice operators. I would just be interested in your comments on the idea—I suppose you have inferred that—that the track from the port of Brisbane to the port of Fremantle should be treated as a national rail highway. You say you want to get rid of the adversarial thing—

Mr Tasker—There are a couple of issues I would like to raise. I have been in railways for a while but I have been in the contracting arena for a very long time. When I was in the railways, in those days Joe worked for a contractor and I was the senior resident engineer. I would say that it seemed a lot easier to manage contractors doing work than it was to do the work in-house. There are enormous advantages in that.

The problem has always been, going back 20 years, that the power of persuasive argument in relation to technical aspects of infrastructure investment was largely taken by us as engineers. The essential thing has always been that we see the railway as an asset, perhaps under-utilised, with some problems that are associated with it. If we are to see the benefits of two major infrastructure investments—that is, the road and rail—then we have to be able to say: what are the things that we want to happen with the rail? If it is left to us, we as engineers will say, ‘We need the best track all the way around and we will establish it straight away.’

If we look at it from the point of view of the operators, the operators should be saying, ‘Given an opportunity to operate on this track in a competitive way, we will use that track.’ One of the problems with the rail lobby is that we tend to rush off and talk about all sorts of reasons why we are not getting enough funding, but the self-evident aspects of the advantage of rail will prevail. It is a chicken or egg situation. Do you wait till the tonnage comes up and then make an investment or do you say that we need a minimum standard of track which means the operator can say, ‘I can now move my transport’?

CHAIR—You have anticipated my next question. We have had people who have said that is going to cost anywhere from \$3 billion to \$5 billion to effectively get the Australian rail system back into some type of condition. Others have said that we need an incremental approach where we pick the worst hot spots, if

you like, between Brisbane and Perth—areas south of Albury between Adelaide and Melbourne, Tarcoola and various other places. If we could bring those up to scratch, then we give the rail system a chance to become attractive to the private operators and indeed to become more efficient for any government operators on the same track. What is your view of that?

Mr Tasker—I believe it is essential we start in that way.

CHAIR—If I said to you tomorrow pick the 20 or 30 worst hot spots between Brisbane and Perth that need fixing—when I say hot spots I am not talking about whole stretches of 300 or 400 kilometres; I am talking about known areas of timber sleepers, for example, between Melbourne and the South Australian border; those sorts of things that were not completed under One Nation. What sort of money would we be looking at to get that incremental injection into the rail system to achieve some sort of reasonable competitiveness?

Mr Tasker—That would be a risk for me to try to give you a number.

CHAIR—You are the only witness who has appeared before us who is in the business of building rail.

Mr Angelucci—If we are talking about 20 locations, the kind of work we have done for National Rail in the past gives us an indication—and it is only that. I would pick a figure like \$10 million per location. That is pretty broad. That is based on the type of work we have done for NRC under the One Nation program.

CHAIR—That would be over and above the existing \$250 million the government has allocated?

Mr Angelucci—Yes.

CHAIR—So if we got up around \$500 million we could make some really significant—

Mr Angelucci—I think at the locations you are talking about it would be just to remove all the speed restrictions which must be fundamental to the operators.

CHAIR—What about the bridges and the tunnels in the Adelaide Hills? Does that figure include them as well?

Mr Angelucci—No. I was looking more at track work.

Mr McARTHUR—You did a bit of work from Gheringhap to Cressy on the Melbourne to Adelaide line. This committee has received a lot of adverse comment on that section saying that there are speed restrictions; the ballast was not solidified; the old rail was replaced on concrete sleepers. Generally there was a lot of adverse comment. I happen to be personally familiar with that track and had a look at it on site. I am a bit surprised about that. Would you care to comment on that? That was a private contractor working for National Rail under the One Nation program.

Mr Tasker—It was essential to have a standard gauge connection. In Victoria at the moment—from Pura Pura to the border—you have track there which is variable between 53kg and 60kg with some dip welds that are on sleepers where you have just moved the rail 165 millimetres. It started off that concrete sleepers would be put in and they would have a minimum depth of ballast and we would bring the track up to a particular standard. As time went by and the funding was running out, the time was running out and the deadline for the gauge conversion was approaching, we were told, ‘Don’t worry about the ballast. We will just have a top-up amount of ballast.’

If you asked me what is the worst thing you can do with a concrete sleeper, I will tell you that it is to put it on to dirty ballast or on an inadequate formation. We have been asked to put that track back on inadequate formation, which was built probably at the turn of the century. By way of example, there was one area where we were changing the sleepers and it was so hot—it was stinking hot—and the ballast was so cemented that it snapped off the gear that picks up the sleeper and when we lifted the sleeper out underneath it was soaking wet because it was constantly wet. All we did, under instruction—and there is in fact correspondence to say that we don’t think this is the best answer; as a contractor we are carrying out the job for the client—was to put the sleepers down on to that and we lifted it probably two inches.

If you are building a new concrete sleeper track with new formation, the books tell you a minimum of nine inches—250 millimetres—of ballast and then compact it as you go. The fundamental issue of achieving a standard gauge connection was achieved. In terms of a track standard, there isn’t one.

Mr McARTHUR—Are you saying to this committee in very simple terms that you need another \$50 million, or whatever the figure is, to fix up Gheringhap and Pura Pura and then the rest of it needs concrete sleepers?

Mr Tasker—I am glad you have mentioned that. As a person who is involved in the railway industry, that particular area is a constant source of pain. It covers some of the aspects we have raised in relation to the bias and the parochialism. There are 68,000 concrete sleepers sitting in a stockpile somewhere near Pura Pura beside the line.

Mr McARTHUR—Some are at Inverleigh as well.

Mr Tasker—That is right. We have been offering for two years to install those sleepers. They can be installed, just from the side of putting the sleepers in, for around \$2½ million. Because of the argument between the Victorian railways and NRC over the past three years those sleepers are still there, and the track laying machine that we have that can put in sleepers at 300 an hour, which is averaging—

Mr McARTHUR—That is the one you used on the previous job.

Mr Tasker—That is correct. That put in 4,000 sleepers. The sorts of problems we were dealing with were that we were putting in those sleepers and because the time was running out we ended up bringing the sleepers into the machine in broad gauge configuration. We changed the bogeys on the back end so we were spitting out standard gauge track behind so that when we finished we ended up with all this track and we then had to introduce the ballast so we could finish on time. We were putting in almost 4,000 sleepers a day.

The track was closed but I have to say that the rail on that track has been cascaded rail from the track between Stawell and the border—and, really, it was life expired. Consequently, you have put that back on to concrete sleepers with no decent ballast and on a substandard formation.

Mr WILLIS—What was life expired? The actual rail lines themselves?

Mr Tasker—Under normal conditions the rail would be considered life expired.

Mr WILLIS—The rail line?

Mr Tasker—The actual rails themselves and a lot of the welds were dipped. If you take out the dirty ballast and the poor formation, the next worst thing you can have on concrete sleepers is dipped welds.

Mr McDOUGALL—Was the rail profiled?

Mr Tasker—No, we just took it out and put it back.

Mr McDOUGALL—You are astounding me. I am not questioning you though.

Mr Tasker—That was the job.

Mr McARTHUR—From my personal observation, they did that under the very tough budget program. So what you are saying is very important evidence to the committee, I must say.

Mr Tasker—I think One Nation should be forever thanked for getting the standard gauge because to get the standard gauge is so important. The difficulty then is: hell, what do we do now? The real problem is: how can you reasonably ask an operator to then turn around and run an economic operation that is in competition with road on a piece of track that has been really the very first stage of what you are trying to do?

If you look at the British situation where they have got rail track and all the others—I am no authority on this I must add—they are suddenly being pressured via the weight of legal argument that, if they do not provide a track which is consistent with what the operators understood when they took over, British rail track itself will be sued. All of a sudden there is an imperative to do some work on the track. We are saying that the operators are in a position to turn around and say to the infrastructure provider, ‘Provide what allows me to be competitive or you are in deep trouble.’

CHAIR—Let us go back to that stretch of track. What sort of money do you think is involved in upgrading that section? Was that in your estimate or would that be over and above that?

Mr Angelucci—No, that would be over and above that.

CHAIR—We have got \$250 million from the government at present. So you are saying perhaps another \$250 million, plus that, plus the double stacking tunnels in the Adelaide Hills?

Mr McARTHUR—Mr Chairman, let us get the figure on track first.

Mr WILLIS—Can I ask you what additional amount it would have cost to do it properly?

Mr Tasker—If you are building a new track, it will cost you in the order of half a million dollars per kilometre. That is with new rails, new sleepers, new ballast and putting it down on a formation.

Mr McDOUGALL—Does that include signalling?

Mr Tasker—No, it does not include signalling. The signalling I think is reasonably straightforward there. What you are really looking at there is that the sleepers are in and they are good and they will be good for awhile until the rail and the effect of the poor ballast start to cause some cracking of the sleepers. The rail really needs to be changed out.

CHAIR—How much money would it have cost to put it right at the time and what will it cost now in round figures?

Mr WILLIS—You said \$2½ million before. That was to shove the 68,000 sleepers under the line?

Mr Tasker—Yes, sticking another few sleepers down. They have already bought some ballast.

Mr Angelucci—The track work, everything above the formation, costs in the order of \$500 a metre. Below that, absolutely new formation costs in the order of about \$400 a metre. So if you are doing 50 per cent of it as fix up, you could work on a figure of about \$250 or \$200 per metre for formation and on top of that \$500 per metre for track work. Signalling would be additional to that.

Mr McDOUGALL—Who set the standard for the contract in the first place?

Mr Tasker—I think National Rail and the consultants. They had to really meet the time and the money constraints.

Mr McDOUGALL—Come back one step. They decided they were going to bring a rail line up to a standard gauge.

Mr Tasker—Yes.

Mr McDOUGALL—Under any civil engineering contract one would set some standards in the terms of the contract in relation to, one would assume, speed. What were the outcomes they were trying to achieve? Then at the end of the day did they set those standards? Did they have an outcome standard to start off with? If they did not, who actually gave permission to go below the standard set?

Mr Tasker—What normally happens in a contract like this is that the high level standards are set by the client and the client will say, 'We want this speed and this tonnage.'

Mr WILLIS—I want to get clear a couple of things. What was the \$2½ million figure you mentioned before? Precisely what was that supposed to cover?

Mr Tasker—All that would do for you would be to put the sleepers in the track. You would then have to buy the ballast on top of that, which probably would be of the order of \$300,000 or \$400,000. You then would put that ballast in, so there would be some additional costs in there. All that would do is put the last 68,000 sleepers in at exactly the same standard as we have done previously.

Mr WILLIS—I thought that was what you were saying.

Mr Tasker—You would be getting no benefit; you would just be completing—

Mr WILLIS—So with that track, with all the concrete sleepers in, are we still looking at speed restrictions of significance on that stretch of track?

Mr Tasker—You are at the moment. With the track from Gheringhap to Pura Pura, the formation and the ballast are so poor that you really need to lift it probably 200 millimetres onto brand-new, clean ballast. If you did that, you would have a much better opportunity to hold the line and the top off the track.

Mr WILLIS—Without doing that, you are going to have speed restrictions?

Mr Tasker—Without that, you are going to end up with speed restrictions and, if you do not put the speed restrictions on, they will be forced upon you very quickly. One thing about concrete sleepers is that—if you talk about Hamersley or Mt Newman—you can maintain the track cheaply at a very high standard if you have all the conditions right. But with concrete sleepers, if you put them in in poor condition, it is very difficult to sustain them. Timber sleepers will be much more forgiving in the way they operate.

What normally happens in a contract like ours is that the standards of the railway are set by the client, and then they give us handover standards which may be line, level or top. They want to know that we have put in the right amount of ballast, et cetera, and we achieve that. The situation is that, even when you know that it would be much better to put in 10 inches of ballast and renew it with rail, we can produce you a track that would, at normal speeds, last six months to line and level, et cetera, but you know that it is going to deteriorate. Unless somebody is then prepared to put in the necessary effort afterwards, you have a problem.

Mr McDougall—This is a classic example. What are the standards? We have had evidence and we have been up in the Pilbara. We have seen the heavy operation, what their standards are and how they maintain them. It is interesting to see that one maintains them in-house and that one maintains them through contractors. I thought that was an interesting thing. But we have a single purpose railway and we have a general purpose railway. In this nation, is there a minimum standard for a general purpose railway for an 80 kilometre speed? Has that ever been created?

Mr Tasker—Each railway organisation will have classifications of track—one, two, three or four; A, B, C, D—and they relate to rail weight, sleeper type, spacing, ballast depth and whether it is gravel or not. Then they will say, ‘This is a so much tonnage railway, and this is a so much speed railway.’ We maintain

the track for Westrail for the grain lines, for the south-west and for the urban. They could not be more different. Currently, we are in-situ flashbutt welding 60-pound rail up north near Narngulu, and we are maintaining track down here, which is concrete sleepers with 60-kilogram rail and 10 inches of ballast, up to Joondalup, for the suburban system.

It is horses for courses. The wheat lines have got 40 kilometres an hour on them and a maximum of 16 tonne. Down here you have got a totally different situation. Down to the south-west where you are hauling coal and other more heavy stuff of probably 22 tonne, they have bought life expired rail from the Pilbara and put it on and it performs quite satisfactorily under those conditions. So they have got an operating speed of probably 80 kilometres and a passenger train speed down there of 100 kilometres or whatever. You match your speed to the design of your track.

Mr McDOUGALL—If this committee were to recommend, and both the Commonwealth and state governments were to agree that we end up with a national rail grid, who sets the standards and what do they get set at? You cannot have a national rail grid on a national highway that is going to have multiple standards all over it.

Mr Tasker—The real difficulty with railways in Australia—and we have worked for every one of them—is that everybody is different and the conditions you are working under are different. We tend not to learn so well from others because we are different. Somehow or other you have to set a standard. Perhaps the way to do it would be to pick the lowest standard that is currently applying right through all the states and say, ‘This is going to be the standard,’ because over here we have a one railway that says you have to have a one in eight turnout on a loop line and over here they say with equal vehemence you have to have a one in 12, and they both work.

We should be able to set a standard right through the country that meets the needs because part of it is that the country, the government, the provider or whoever has to say, ‘We ultimately want to have this railway used to its maximum.’ The only way we going to get that is to either have the individual railway organisations themselves to get more tonnage on their rails or to get more SCTs, more Brambles or more Toll. That is what it is all about; just getting the tonnes on and having a track that can guarantee to those people that they can meet their obligations.

CHAIR—Aren’t you just prolonging the agony going that way? Did you do any work on the line from Brisbane to Rockhampton?

Mr Tasker—No, that was all done in-house.

CHAIR—Have you seen that?

Mr Tasker—No. John Hollands did do some of the earth works and the bridge works.

CHAIR—That is very impressive.

Mr Tasker—Yes, certainly.

CHAIR—They have taken all the bridges up to a certain axle load and took them up to standard gauge so that, if they want to put a standard gauge through at some later date, the bridges are up to scratch. They have taken out all sorts of curves. They have straightened the line. They have reballasted the whole thing. It is amazing. They will take trains at 180 kilometres an hour. Why don't we set a standard like that even if it is introduced incrementally? Otherwise, isn't rail always going to be the poor relative?

Mr Tasker—It is now. One of the really beautiful things about Queensland has been that they have had an investment policy of half a billion dollars a year for the last five or six years, which we all stand and salute. It is wonderful. Whether or not—and this will get me into trouble—you have to have that to achieve the transport task is another question, but it is a wonderful thing to have.

CHAIR—I accept what you are saying. We are all a bit sceptical of it, but you tend to confirm this morning what a previous witness said to us. One of the private operators who also has wheat lines says that you may not have to maintain those to as high a standard as some of the state rail authorities were maintaining their rail to providing you keep the maintenance up to them, but you have to spend more on other sorts of lines.

He said you do not need to travel more than I think 60 kilometres an hour, not 80 kilometres an hour, to take wheat from point X to point Y and, therefore, why keep the track in a standard that it is never going to be used for? You have said something similar this morning; you have got three or four different track and you maintain it to the standard of the rolling stock that is going to move over it.

Mr Tasker—That is right; it is defined for the traffic task. One of the things that we have to be complimentary to Westrail about is that they have looked at the maintenance of their railway in the context of the transport task. That is fundamentally important. I think if we did the same to the main rail highway, if you like, you would approach it in a different way to the way we are. That is what I am saying.

If we said to ourselves that the ultimate task is that we have 60 kilogram rail with concrete sleepers and 250 millimetres of clean ballast from Brisbane to Perth, that would be the target objective. In some places we have got it. In some places we have not. In some cases it is a priority that we do it. In some cases the concrete sleepers and the ballast are there, but the rail is lighter. In other places the rail is there, but we have got very old sleepers and appalling ballast. The mix is there—

CHAIR—In other places, they say the rail is even shot.

Mr Tasker—I remember 10 years ago people telling me that they had done studies on the rail between Albury and Melbourne and it was effectively life expired. If they wanted to put in different rail, there was going to be some sort of industrial problem if they tried to use contractors. I do not know whether it has all gone away and rail has rejuvenated itself.

Mr McARTHUR—There has been evidence before this committee that it has got worse.

Mr Tasker—The reality is that rail does not improve with time and tonnage.

Mr McDOUGALL—Can I just ask one final question. John Holland is a partner in a proposal to run a train from Canberra to Sydney. Is the track adequate under the minimum standard that you suggested? Would that minimum standard be adequate for you to run that train from Canberra to Sydney?

Mr Tasker—The situation there is very different because that is magnetic levitation.

Mr McDOUGALL—You are doing the other one, so you are not on the tilt train. I could not remember.

Mr Tasker—The tilt train is ABB, and right now they would need to upgrade part of the track but it would not be a horrendous cost to do it because they have done trials and what not. I guess part of the deal is how much work you need to do on an existing track to still give you reasonable speeds.

Mr McARTHUR—Could I raise three issues. Firstly, thank you for your forthright comments on the Gheringhap-Pura Pura line. That has been a matter before the committee on a number of occasions. On a technical matter, you are suggesting in your submission that the standard should be 60 kilograms per metre and a 400-metre curve. Could you explain to the committee what you mean by the 400-metre curve?

Mr Tasker—The radius of the curve. There are two things that go with curves. If it is too tight, you are going to get significant speed restrictions and you are also going to get significant rail wear.

Mr McARTHUR—What is the average weight of rail? Is 60 kilograms a standard that you are suggesting? What is the average on the Australian rail system now?

Mr Tasker—There is a lot of 60 kilograms on the main lines. There is some 53 and a small amount of 47.

Mr Angelucci—All new work is generally being done in 60 kilograms.

Mr Tasker—On main line.

Mr McARTHUR—With an actual load of 32 tonnes?

Mr Tasker—The axle loads on the standard gauge, for instance, I think, are 25 tonnes.

Mr McARTHUR—And you are saying concrete reinforced sleepers?

Mr Tasker—Prestressed.

Mr McARTHUR—And a ballast of how much?

Mr Tasker—I would think 250 millimetres would be ideal.

Mr McARTHUR—You are saying that would be a standard you would recommend to this committee

as a way of running a good railroad with reasonable loads on the axle?

Mr Tasker—That I believe would give you such a better railway than you have got now that it would be a bit startling for a while. It would give you a railway that could meet all the needs of efficient operators. As long as you sort that out and the terminals, you are laughing.

Mr McARTHUR—So you put a lot of emphasis on the quality of the track to make the Australian railroad system work.

Mr Tasker—Yes. You also have to look at it in the context of signalling. Signalling can stop a train altogether so that will slow your average speed. We have a situation now where NRC is saying that between Brisbane and Melbourne the most cost-effective train is 1½ kilometres. Two years ago we extended all the loops to 1.8 kilometres. We have actually extended the loops to slightly shorter than their optimum length as they see it at the moment. Somewhere else, they are going to have to put in more loops. The loops between Melbourne and Albury are probably only a kilometre. There are all of those things where you have to say, ‘As an operator, I want to run a 1½ kilometre train. If that happens, I am getting the maximum amount out of my locomotive capacity and the maximum out of my rolling stock capacity. Therefore, what is the minimum cost to give you that?’

Mr McARTHUR—What have you as a rail operator learned from the Pilbara rail network in the private sector? What can this committee learn, from your perspective ?

Mr Tasker—That if you have track of that quality then you can have wagons on a continuous turnaround and you can have a very efficient conveyor belt, because that is what it is. They have an extremely efficient transportation system. The alternative would be a conveyor belt. What can you learn? You have to look at it in the context of how it compares with the transport tasks that you have in a general railway. I would see that as being an absolute upper limit. What they are talking about is 68 kg rail, sleepers that weigh 420 kg and probably 350 millimetres of ballast on a formation that is now excellent.

Mr McARTHUR—I have one more: the fundamental part of your submission is that outsourcing of rail maintenance and construction can be better executed by a company similar to your own compared with in-house performance. Would you like to expand on that thesis very simply?

Mr Tasker—So much of what we are doing as an organisation is to do with responsiveness and the ability to respond quickly. We believe that part of what we have been talking about—and Joe is better qualified on this than I am in terms of Westrail—is the question of targeting the maintenance to the areas. Each of those A, B, C and D type tracks require a different level of input. They might end up costing you similar amounts, but your total track condition is widely diverse and it depends on the target. I believe that the railway organisations, the providers, should be concentrating on the transport task and saying, ‘This is what we need this track to be able to do.’ For instance, they were doing joint elimination. It is a huge benefit to eliminate joints. Westrail had been thinking about and talking about—and they do not have a \$500 million investment—

CHAIR—I think that is a very important question and we are not going to finish that in five minutes

to do it properly. Could you give us a one-page sheet on the sorts of things that Mr McArthur is asking, on where you feel the private operator—how did you put it?

Mr McARTHUR—The outsourcing of the maintenance and construction of the rail infrastructure in Australia. The fundamental thesis that you are putting to this committee is that, for the first time, the private sector can provide the maintenance and construction compared with an in-house operation over the last 100 years. That is basically what you are saying, is it not?

Mr Tasker—Yes.

Mr McARTHUR—Except that at the time you had a lot of money, \$410 million into rail, but the specifications were not quite?

Mr Tasker—It is a distribution of money. We have to look at that.

CHAIR—I hate to cut this short. You compared rail operators with airlines and airports. Western Australia seems fairly cooperative on this, but we got the impression from evidence we received in other places—I am talking about freight terminals as No. 1—that the state authorities or the Commonwealth authorities in the case of South Australia have been less than cooperative with new operators. That also includes New South Wales. We also had a private passenger rail service saying that our terminal railway stations were really substandard. What is your comment on those two things?

Mr Tasker—I am not an operator. I have had a lot of comment from people who are operators concerning the apparent reluctance of existing railway organisations to encourage use of other operators because they see this as taking away part of their freight, and that will in fact happen. To me, the long-term view—

CHAIR—In other words, it is being used as a de facto form of control?

Mr Tasker—Yes. The long-term view has to be that, if it is good for business—even if the railway operator loses a bit to start with—it has to be good for you in the long term to have more participants, because the more participants—

CHAIR—You create a rail culture?

Mr Tasker—Yes, the thing about people such as Brambles, SCT and TNT is that they have been winning the lobby war for 40 years, because the railway industry looks like a bunch of whingers because we cannot run the industry properly. What we need to do is to get an industry so that railway is the dominant one for the particular tasks that it services best.

CHAIR—I am afraid we will have to wind it up on that note. I trust that, if we need any further information, you could respond in writing?

Mr Tasker—Certainly, yes.

CHAIR—I do thank you for your evidence today. You are one of a kind in a way that have appeared before us, and your evidence has been most valuable.

Mr Tasker—Thanks for the opportunity.

[11.51 a.m.]

KELLY, Mrs Barbara Elsie, Member, The Country Women's Association of Western Australia Incorporated, PO Box 97, West Perth, Western Australia 6872

NILSSON, Mrs Marianne, Member, The Country Women's Association of Western Australia Incorporated, PO Box 97, West Perth, Western Australia 6872

TOGNELA, Mrs Rosa, Member and State President, The Country Women's Association of Western Australia Incorporated, PO Box 97, West Perth, Western Australia 6872

CHAIR—Welcome. Although you are not under oath, these are legal proceedings of the parliament and they warrant the same respect and attention, and I trust you understand that. Are you all Perth based people or what parts of Western Australia do you come from—just to give us a feel for where you come from?

Mrs Tognela—I am from Brunswick in the south-west.

Mrs Nilsson—I have just moved to York but I have been in the eastern goldfields.

Mrs Kelly—I am living in Perth at present as a self-funded retiree from a farming business. We operate grain and stock—in other words, mainly wheat and sheep.

CHAIR—Would you like to make a three-minute overview, Mrs Kelly?

Mrs Kelly—You would be well aware that we are the largest rural women's organisation in the state. We represent women who are actively engaged, either as partners or in their own right, in many diverse aspects of the rural industry and associated businesses and support services. We believe that all of these contribute to the continuing effectiveness and prosperity of the rural economy. Incidentally, I believe it is our function as CWA members to bring a human face to inquiries of this nature; in other words, to present a consumers' point of view.

We have a very well-integrated state network and we represent the agricultural, fishing, pastoral, tourism and mining sectors—Mrs Nilsson's husband is engaged in the mining industry—as well as those rural families who, for one reason or another, are reliant on the public transport system provided by rail or rail and connecting bus services.

Just to expand on our submission, we believe that Western Australian citizens are already shareholders in the current rail transport system in this state and as such have, through their elected parliamentary representatives, opportunity to have input to the operation of the service. At this stage the members generally deem it unnecessary to involve the private sector which may well involve overseas investors. Administration needs to keep firmly in mind that all responsibility is to ensure that the requirements of industry and the general public in this state are fully researched and provided for adequately.

We believe that the centralising or conducting of services at a national level has not always proved advantageous to Western Australia, in particular to the rural sector. In the case of the rail system, this possibly could be exacerbated by the unique geographic size of the state and the scattered location of various industries which we feel are best understood by industry participants at a local level.

It appears to us that the best option for the first half of the next century is to retain a state based, owned and operated rail system in cooperation with other states where the operation crosses borders. I was very glad to hear the prediction that production in the grain industry is going to increase very rapidly in the next couple of years. I hope that CBH and Westrail have a connection with the good lord and he sends the necessary rain requirements.

Our industry is dependent very largely on rail access. Freight charges are an additional impost on an industry which is well motivated and geared through cooperative bulk handling to assume responsibility for the handling and marketing of a primary product which features strongly in the export income of Australia. I felt that it was suggested by another witness that the grain industry constitutes only a small or smallish proportion of their—

CHAIR—No, they did not say that.

Mrs Kelly—They said 25 per cent.

CHAIR—Yes, but I would have thought that that was quite significant.

Mrs Kelly—I thought it required more significance than it was given. I would suggest that that could be increased with a competitive rail input as opposed to road transport. I am sure they would pale at the thought of it being withdrawn completely. We feel that every endeavour must be made to maintain competitiveness with the alternative of road transport. This still has not been quite achieved, despite the fact that our freight charges have decreased by at least \$2 a tonne in our own particular area—that is from Meckering in the central wheat belt.

The safety of roads has been an ongoing concern for the government and general public alike. We feel that encouraging greater usage of existing rail facilities is another method of reducing the number of heavy transport vehicles on rural and city roads. Good marketing expertise is the vehicle best suited to promote services and educate the general public and business sector about the benefits of rail. Allied to cheap, effective costs, the package presents an attractive alternative.

We also believe that the tourism opportunities of rail need to be expanded to encourage and develop markets. The human face or social impact of rail or lack of rail services on rural communities is an important consideration. For example, commuter links from nearer country towns such as Northam, Toodyay, and Bunbury to the city on a regular or more speedy basis is one practical prospect of partly solving the problem of increasing city urbanisation at the expense of an already diminishing population in rural townships.

For many families, the Prospector and Australind rail service are an essential link with the city. They are of particular importance to families forced by distance to send their children to a school situated in urban

locations for secondary and tertiary education.

The association has been very pleased to note the improving productivity of rail freight systems and is very proud that the heavy haulage iron ore lines in the north-west of Western Australia are considered a benchmark for international best practice. We firmly believe that a strong, efficient, state operated rail system is essential to the economic viability and development of this state.

CHAIR—Thank you for that. Could you briefly tell us what you see as the role of the Commonwealth in providing rail services? Albeit for the transcontinental railway, generally speaking, it has not been the role of the Commonwealth. There has been a lot of privatisation and rationalisation, especially in South Australia and Tasmania. What is your view of the Commonwealth's role?

Mrs Kelly—At the risk of derision, I believe it is mainly funding. We realise that it must have a significant function if you are going to have a link-up of services.

CHAIR—Other than what happened under the original transcontinental railway and the Whitlam government's takeover—in cooperation with the states—of some services, it has not been the Commonwealth's traditional role.

Mrs Kelly—No.

CHAIR—We are trying to get a feel for what the Commonwealth role should be. Everyone says the Commonwealth should do it. Equally, a lot of the state jurisdictions did not want to give up any control of their rail either. We now have the position, especially in Victoria, where the line south of Albury, from Melbourne to the Victorian border, is in a parlous state because it was always anticipated the Commonwealth would eventually come through and pick up the chit. What do you see is the role of the Commonwealth? Is it just in funding or is it a leadership role? Do you like the concept of having the line, say from Brisbane to Perth, as a national highway, with the states perhaps being responsible for the rest? What is your vision of it, as country women?

Mrs Nilsson—I feel perhaps the Commonwealth should have it from Brisbane through to Fremantle, that it would be good for the states to operate the rail networks within the states.

Mr McDougall—But you are not happy with what they have done. I have never met a community group that is happy with what the states' operations of rail. If they are not happy with it, why leave it with them?

Mrs Nilsson—I have used the *Prospector* service a lot and that has improved fantastically over the last few years.

CHAIR—Whichever is the lesser of two evils.

Mrs Kelly—As an operator of a rural business, I have not found that nationalisation of other services has helped in any way whatsoever. I believe Western Australia particularly—you probably get this from every

state—has the distance problem.

CHAIR—Queensland has a similar problem.

Mrs Kelly—Yes, but not quite the same because in Queensland—you are talking about rail along the north-west coast—for a start, you have larger city populations along the coast within proximity to one another. Having travelled down there several times, I have always envied the fact that they are so close together. Compare that with Western Australia, and you would have to have travelled Western Australia pretty extensively to really appreciate the distances between the larger so-called towns, remembering that many of these towns are urban type towns in a rural situation. It is completely and utterly unique to this state. No matter what is said, that is something you just cannot alter—it is a physical fact.

CHAIR—I understand the lines do not go north of Geraldton.

Mrs Kelly—No, they don't and they never will. I am trying to say that you really cannot compare Western Australia with Queensland, although it would be more like Queensland than any other state. Would that be a fair enough assumption?

CHAIR—Yes.

Mr McDOUGALL—From memory, you said that you would like to see a passenger service from Bunbury, which we heard from Westrail was got rid of in about the 1960s.

Mr HOLLIS—No, it was Geraldton they got rid of. They have a service to Bunbury.

Mr McDOUGALL—I think you said you want some extra services.

Mrs Kelly—Yes.

Mr McDOUGALL—I keep having a problem, and it does not matter whether it is in Queensland, where I come from, or whether it is in cities: everyone wants passenger services but the public drive cars and they will not hop on passenger services. They have this wonderful love of trains, but they drive cars. It does not matter whether or not you give them the trains; they will still drive the car. How do we get over that cultural problem?

Mrs Kelly—Exactly, but there are a number of things that have happened. If you are talking about history, that is something that has happened in the last 30-odd years. In the country, access to rail transport was taken from us in any event.

Mr McARTHUR—You did not use it though.

Mrs Kelly—So they tell us, but there are lots of things that you do not use. You do not use public transport if it does not suit you. It has to suit your needs. I think this is what has been lacking in rail. It has been developed by people who have not listened to enough consumer input. That is very important. It was

very interesting to listen to people involved in construction, the people who are charged with the task of running our rail system in this state. I did not hear them refer to any input from the general public. Surely, if you were setting up a business, you would research very thoroughly what people want and what they would respond to.

Mr McDOUGALL—Queensland had a railway line down to the Gold Coast from Brisbane. There is a pretty big population down there. People did not use it and so they ripped it up. Some 20 years later they built it again at enormous expense—a couple of hundred million dollars or something. It was a huge amount. They think it is wonderful that they get 2,800 trips on it a week. The taxpayer is subsidising that to an enormous extent. At the same time, they are taking a highway alongside it from four lanes to eight lanes. Where are the people going to come from in their thousands to get on this beautiful brand-new train on a brand-new line with brand-new stations? The taxpayer is going to keep subsidising it.

Mr HOLLIS—Mrs Kelly, the main emphasis of this inquiry has always been on freight, and I think that is where you may have got that impression. I think you would find that especially the Western Australian railway people—who quite impressed me—were talking about the customer, but the customer was freight. Where I would disagree with my colleague Mr McDougall a bit is that you have an excellent example here in Western Australia with the line to Fremantle.

Having been to Fremantle this morning and having seen the trains, I said to my taxidriver, ‘I can’t believe those trains are so good because five or six years ago I went from Perth to Fremantle on a rattly old train.’ He said, ‘Oh yes, they closed that line for a couple of years and another government came in and upgraded the line and put decent rolling stock on there.’ Apparently, according to the taxidriver, it is a tremendous service which is fully utilised. There may well be a cost, but there is also a social cost of taking people off the road and putting them on rail. That was a bit of hearsay evidence from my taxidriver this morning telling me what a wonderful passenger service is now being provided from Perth to Fremantle. The trains I saw were excellent looking trains.

Mrs Kelly—The southern part of the suburbs is growing despite the fact that we have not got an urbanised track going past Fremantle and along the freeway which is serving the northern suburbs so well. Obviously, our parliamentarians have not had the same clout in parliament as those from the other states.

CHAIR—Have you got a map that you want to discuss with us?

Mrs Kelly—Some of you said that you did not realise where our systems went.

CHAIR—You would have heard us ask the previous witnesses for a map. You might like to liaise with them. Do you have a proposal to put to us, or is it just by way of explanation?

Mrs Kelly—It was only for reference.

CHAIR—Okay.

Mrs Kelly—Did you want me to continue to talk about the passenger service?

CHAIR—Feel free to talk about whatever you like. You are giving the evidence and we will ask questions, but you fire from the area that you are coming from.

Mrs Kelly—You were talking about receival points for the people who are operating with grain along some of these lines.

CHAIR—We have had two lots of evidence—one in South Australia and one in Western Australia—that said that the grain lines are never likely to carry passengers again and that, therefore, the level of maintenance should be commensurate with the task that those lines have to provide. Are you comfortable with that? We queried someone in South Australia very closely on this because we did not quite agree with them, but your Western Australian state authority seemed to be confirming the evidence that we were given.

Mrs Kelly—It fits in well with their budget, doesn't it? But in the future you will find—you are looking, say, 50 years into the future at the very least, aren't you, for improvements—that before very long there would be a cry for rail transport to go somewhere up along the coast, at least as far as Jurien. First of all, they have to have a road there, but that is where expansion is going.

Mr McARTHUR—You say where will be a cry, but will it be commercial? Will people use it?

Mrs Kelly—There are a number of government facilities that are necessary that are not always commercially viable.

CHAIR—Would that be quasi-suburban?

Mrs Kelly—It is not now, but it will be. That is where the development is going and that is where town planners tell us it will go to, added to which there is also marketing and industry.

CHAIR—Surely the recommendation from your association should be to your state government to make provision for rail corridors into any development proposals along that track?

Mrs Kelly—Exactly, if the state government is allowed to keep the rail, it will be.

CHAIR—I think you will find, if it follows a pattern in the other states—even South Australia has given away just about all its rail—that the state authorities tend to retain the suburban services.

Mrs Kelly—You think that will happen?

CHAIR—It has happened just about everywhere. I will tell you why: because in most instances they are not profitable and the private operators do not want them anyhow.

Mr HOLLIS—No-one will buy them. Private operators will not buy a suburban network.

Mrs Kelly—Can I get back to one of the concerns of the association? The most important thing from our members' point of view is that with the increased use of roads—and in some cases it is necessary; it has

certainly helped to open our north-west, just as air freight has—is the road traffic danger. I travel along this highway, as would Mrs Nilsson. Our state president travels along this route here. Quite often the state president will travel up this line. The danger of road trains in the area is very significant and they are increasing. That is where we say we are bringing the human factor; they are an increasing road safety factor.

Mr McARTHUR—But that will be a matter for you to lobby the state government on—the regulation of state highways.

CHAIR—They have this problem in Queensland. For example, a road train coming in from the west cannot go beyond Charters Towers and Toowoomba—it might even be Dalby now. As Mr McArthur said, I do not think the areas from which road trains are going parallel the rail system that much, do they?

Mrs Kelly—Yes.

CHAIR—They do?

Mrs Nilsson—Yes, they do, especially travelling along the great eastern highway—you have got the railway line right beside.

CHAIR—It is your role then to lobby your state government—you are a very powerful organisation—to set limits that are appropriate for safety. In that way you indirectly help the rail yourselves. I do not think there is anything we can do.

Mrs Kelly—But to me it is adding to the arguable fact that it needs to be state based and state operated to understand the problems of how to run your rail and road systems.

CHAIR—No doubt we will make a statement on safety in our report, and we will take on board what you have said, but the quicker solution is in your own hands.

Mr McARTHUR—In view of the time element, can I raise the issue of privatisation? It seems in your submission that you are against privatisation, whereas most states and the federal government are moving to privatise some of these public instrumentalities, particularly railroads. Why are you against privatisation?

Mrs Kelly—In some of the other services that are supplied by the public and the private sector, that is, banking, et cetera—

Mr HOLLIS—Telephones.

Mrs Kelly—Telephones and Telstra, et cetera—it is not necessarily going to benefit some of our more remote areas at all. In fact, in some ways it is going to exacerbate the problems. Telstra—

Mr HOLLIS—Keep going.

Mrs Kelly—We need to have something in which we do have a lot of input. In the privatisation—

Mr McARTHUR—Why is every other state looking at the privatisation of a number of utilities where they are providing a better service for less cost?

Mrs Kelly—Can I quote something from farming that you might think is absolutely stupid? Many years ago we were told to plant a certain rye grass—it was the ‘in’ thing. Fifty years down the track it is not only no longer the ‘in’ thing but it was almost a disaster in the pastoral areas. This to me is a similar thing. It is the period of ‘go’ now but it does not necessarily say—

CHAIR—You are against privatisation even if that provides a better and more efficient service to the customer. Is that what you are saying?

Mrs Kelly—No, not necessarily. I am saying that what appears to be a better service at this moment isolates some people into having no service at all because of cost. I find that privatisation is fine for a while but then they are looking down the path of the easy buck. Some services and utilities are the right of citizens.

CHAIR—Could we bring it together?

Mrs Kelly—I am sorry.

CHAIR—We have got to finish on this point.

Mrs Kelly—But the state president will have the facts and figures.

CHAIR—You are leading us towards something that we wanted to ask you. What is your concept of the community service obligation? In other words, to what extent should the government get involved in the community service obligation of rail? Community service obligation is the degree to which the public purse subsidises the provision of a particular service to a certain level. That exists in Australia Post, in Telstra and so on. What do you think it should be in rail? What is the minimum service that government should be required to provide?

Mrs Kelly—Are you talking about the federal government?

CHAIR—Both.

Mr McARTHUR—And local government.

Mrs Kelly—Did you want to comment on that?

Mrs Tognela—I just believe that you could probably get something from what you have been saying, but the government really needs to look at the safety hazards because they are our main concern—look at the roads to make sure they are maintained and perhaps look at using the railways more. Is that what you are meaning?

Mr McDOUGALL—I am an ex-country person, so do not get me wrong—I am not anti-country—but country people for the last 50 years have not patronised and helped the railways because they have demanded governments give them bigger and better roads. They took a priority and they insisted and they lobbied government about roads and government basically has responded: government at all levels has responded. I am a creature of local government. The pressure from the community on how much we spent on roads was unbelievable. If my colleagues in local shires in Queensland do not spend 80 per cent of their budget on roads they get lynched. I think what has got to come together—

Mrs Kelly—That budget is coming from our taxes.

Mr McDOUGALL—But the country people have got to tell us their priorities.

Mrs Kelly—You wanted the answer—

CHAIR—I would like you to respond to that comment of Mr McDougall's. We will have to wrap up on that point. Include any final point you might like to make.

Mrs Kelly—My personal answer about the government is that there are some things, I believe, that the government has to have almost total responsibility for. How they ensure they do it, I am not sure. They are health, transport and education, in that order. There are some things that you do expect from the contribution you make with your industry and your taxes and they are three of them. Your question was?

Mr McDOUGALL—It was about the country people's priorities. They set their priorities very clearly right across this country. If you want to change your priorities, I hear what you say about road trains and the danger, but is that backed up with facts? In other words, are road trains in accidents? Are they killing people or are people driving off roads because of speed and going to sleep and killing themselves? Road trains give the appearance of a danger, but are they actually causing the problem? Whenever you make those statements you have got to be very careful of your facts. What I am looking for is for country people to set some priorities, and do they want a change in priorities?

Mrs Kelly—Road priority was more or less forced on the country because they found themselves in the situation where it was no longer a viable proposition to send down our stock. We used to send down our wool and our lambs. We used to have our super from a rail facility, but there was no cheap way of off-loading that. We were forced into roads as it was the obvious choice. We therefore began to lobby for better roads. I am very interested to hear how much money is being spent on them because it is not always evidenced in some of the roads we travel on in the outer areas.

CHAIR—On behalf of the committee, I would like to thank all those who have appeared today. I thank Mrs Tognela and her state organisation for taking an interest in appearing, as well as Mrs Nilsson and Mrs Kelly as past president. Thank you for attending. We value your evidence. We take on board your comments, especially your comments on safety.

Mr McARTHUR—And the thoughtful submission you put forward.

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

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.21 p.m.