



# **HOUSE OF REPRESENTATIVES**

## **STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM**

**Reference: Role of rail in the national transport network**

**CANBERRA**

**Wednesday, 27 May 1998**

**OFFICIAL HANSARD REPORT**

**CANBERRA**

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

Members:

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

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

Matters referred for inquiry into and report on:

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

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

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

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

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

**WITNESSES**

**AFFLECK, Dr Fred, General Manager, Corporate Affairs, National Rail Corporation Limited, Level 5, 85 George Street, Parramatta, New South Wales 2150 . . . . . 1265**

**GRAHAM, Mr Vince, Managing Director, National Rail Corporation Limited, Level 5, 85 George Street, Parramatta, New South Wales 2150 . . . . . 1265**

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*Role of rail in the national transport network*

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Present

Mr Neville (Chair)

Mrs Crosio	Mr Peter Morris
Mr Hollis	Mr Wakelin
Mr McArthur	Mr Willis
Mr McDougall	

Committee met at 10.20 a.m.

Mr Neville took the chair.

**CHAIR**—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform in its inquiry into the role of rail in the national transport network.

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

**AFFLECK, Dr Fred, General Manager, Corporate Affairs, National Rail Corporation Limited, Level 5, 85 George Street, Parramatta, New South Wales 2150**

**GRAHAM, Mr Vince, Managing Director, National Rail Corporation Limited, Level 5, 85 George Street, Parramatta, New South Wales 2150**

**CHAIR**—Welcome. As you have appeared before the committee before, you recognise that these are proceedings of the parliament and warrant the same respect as those of the House.

We have asked you to come back today, partly at your own instigation, because we want to probe the circumstances of the condition of the track broadly between Melbourne and the South Australian border, what the history of that is, how it occurred, what the actual condition of the track is, what the options for its rectification are, and other related matters. I will ask my colleagues to keep the questions to that. We are not going on a philosophical ramble today; we really want to get down to the guts of the matter—to use the vernacular. To get this under way, do you have a statement you wish to make, an overview, on this particular issue? Can you keep it to three to five minutes, then we would like to get into the questioning.

**Mr Graham**—Mr Chairman, we have put the effort into the written submission that we have provided to the committee which hopefully addresses a lot of the detail of the questions that you ask, and I think we can be more productive by responding to the questions of the committee. So we will not take up the opportunity for an opening statement in that circumstance.

**CHAIR**—Okay. Mr McArthur would like to open the batting.

**Mr McARTHUR**—It has been suggested in some quarters that there was a lack of early planning that had come through from the papers you presented and that that was one of the difficulties that National Rail faced—that there were no projects on the shelf, so to speak, suddenly the One Nation money emerged and it was the lack of planning and preparation by everyone involved that produced some of these difficulties. Would you care to comment on those observations?

**Mr Graham**—There are two components of that question. The total One Nation package in terms of detailed project planning, engineering and design had not been undertaken for the broad range of projects. The second issue is that the One Nation program was limited absolutely in the funds that were to be made available, so in the subsequent detailed project planning it was necessary to make the available funds stretch as far as possible in terms of the projects that needed to be completed.

**CHAIR**—Just getting into the detail, you say in your submission:

. . . some \$30.4 million was eventually spent on installation of concrete sleepers, provision of ballast and tamping from Gheringhap to Pura Pura, compared with only \$13.6 million provided in the original Master Plan, based on plans developed by the Public Transport Corporation.

There are three parts to this question: what was achieved by that extra funding; where did the funds come from—were they transferred from other projects or other sections of this project; and were similar adjustments made during the progress of this particular stretch of track?

**Mr Graham**—The funding for this additional work was transferred from other projects, notably from intended expenditure on track in New South Wales in particular. The intent was to do as much as possible to provide reasonable structure for the standardised track. The original plan for standardisation was simply to move rail from the broad gauge position to the standard gauge position, largely on the then existing timber sleepers. We saw some merit in doing our best to maximise the concrete sleeper program, as we also did on the north coast of New South Wales as part of that One Nation program.

**CHAIR**—Do you feel you got the value for the extra \$17 million?

**Mr Graham**—Certainly, we got tremendous value from the concrete sleepers that was done in New South Wales, because the State Rail Authority in New South Wales took the view that, as part of this concrete sleepers exercise on the north coast, they would commit to the same project the money that they would have expended in the next few years on timber sleeper replacement and on program reballasting and drainage rectification works.

They joined with us with that expenditure and, while the concrete sleepers were going in, the track was able to be substantially reballasted and drainage works completed. It certainly provided a far better finish to the track and far greater longevity than was able to be done in Victoria. That was a time when the Victorian PTC simply did not have funding available to do the same works that were committed by the State Rail Authority in New South Wales.

**CHAIR**—One of the things I found extraordinary when I was reading this paper was that we actually bought 68,000 sleepers at a time when there was no opportunity to put them in. You had virtually reached the end of the program and you had 68,000 sleepers. It says here:

However, the supply of some 68,000 concrete sleepers required for resleeping Pura Pura-Maroon occurred after the gauge conversion was complete and were not installed in track, as funding from the One Nation program had been exhausted. The section of track Pura Pura to Maroon was therefore gauge converted on the existing timber sleepers.

**Mr Graham**—The whole concrete sleepers component of the One Nation program, as we say in this document, was the flexible element of the program. A program



of that magnitude needs to have some elastic component in it, so that as the project proceeds over 18 months to two years, as it did, we were able to curtail expenditure to fit with the total available funding. The contractual commitment for the concrete sleepers was made at the front end of the supply.

We still have no concern that those concrete sleepers are going to be used productively. If they are not used in the track in Victoria, then we have a number of major projects, including loop lengthening on the Adelaide-Melbourne-Brisbane line, and a very substantial terminal project in Sydney, both marshalling areas and container terminal track work, which can profitably consume those concrete sleepers. They were never going to sit idle.

**CHAIR**—Surely, you would not think about taking the sleepers away from their current location? Somebody has to put sleepers in that track at some time.

**Mr Graham**—Yes. We remain hopeful that those sleepers are going to be purchased by the PTC. There is a formal offer to the PTC from National Rail to purchase those concrete sleepers from us at cost, without any project management or other mark-up at all. It is roughly \$5.2 million.

**Mr McARTHUR**—What will happen to them then?

**Mr Graham**—They will be installed by the PTC.

**Mr McARTHUR**—That is the key question we wanted to ask. If the PTC purchases these sleepers, what evidence do we have that they will put them in the track?

**Mr Graham**—That is evidence that the committee would need to secure from the PTC.

**Mr WILLIS**—Now that this track is proposed to be taken over by an Australian track body, surely the PTC will just be waiting for that to happen and say that it is their responsibility. Is it just a stand-off at the moment?

**Mr Graham**—Yes. The offer to sell them at cost is there and we await the response of Victrack, which is the track access provider and is responsible currently for track. You are quite right; the expectation is that the ARTC will assume responsibility for that track as early as 1 July.

**Mr McARTHUR**—Why would they not buy the sleepers?

**Mr WILLIS**—It is not 1 July yet; they are not in business.

**Mr McARTHUR**—If you put it off long enough, then the National Track

Authority could buy them and put them in their own track. That is what the Victorian government surely are contemplating.

**Mr Graham**—That is all outside the control and the decision making ability of National Rail. We are an above rail operator. We do not own or maintain any track on mainland Australia.

**Mr WILLIS**—As I understand it in New South Wales, you are proposing to put some money into the track as capital input in exchange for a reduced rail access charge. Why could the same thing not have been done in Victoria in respect of these sleepers?

**Mr Graham**—That offer has been formally made in Victoria. The process would be identical to that agreement that has been reached in New South Wales. We would have acted as banker up front for both the installation of the concrete sleepers, which was estimated at approximately \$2.4 million from memory, plus we would have kept the funding for those sleepers on our books of \$5.2 million. We would have taken a return of 50c per thousand GTK until that debt had ceased and the loan had effectively been repaid.

Again, because of the proposed takeover, when that offer was made of the Victorian interstate track, the Victrack corporation obviously was not in a position to reach commercial agreement to pay a debt beyond the period of time for which it had responsibility for the track.

**Mr WILLIS**—When was that offer actually made?

**Mr Graham**—That offer to sell them at cost is now probably two to 2½ months old and the pre-existing offer for National Rail to act as banker, I would suggest, is going back five or six months. I could give you the precise dates.

**Mr WILLIS**—Have both of those proposals been rejected by the PTC or are they just sitting there in abeyance?

**Mr Graham**—The earlier proposal for us to act as banker has been rejected and the one to purchase has not yet been responded to.

**Mrs CROSIO**—What do you say then to John Holland's assertion that they had offered for two years to install these sleepers and both yourself and Victrack have refused?

**Mr Graham**—Obviously, for John Holland to install them, they need someone who is willing to pay them approximately \$2.4 million for the installation. We are prepared to pay that money. We are prepared to commit the concrete sleepers. Obviously, we are a commercial organisation. We need to somehow get a return on that money. It is not our track. The track belongs to the Victorian Track Access Corporation.

**Mrs CROSIO**—The biggest hold up is the fact that there is no national claim over that section of the track and we are waiting for the state governments to come to the party?

**Mr Graham**—Yes. We are waiting for a response from the purchaser.

**Mr WILLIS**—Can I ask you about that \$2.4 million? Is that just the cost of sliding the concrete sleepers under the rail? The evidence to us was that the track itself—that is, the ballast and all that—was inadequate and that there needed to be reformation of the track, or proper insertion of concrete sleepers so that they would last more than half a dozen years or so. Is that your understanding? If so, does that mean that there is an additional cost on top of the \$2.4 million if the job were to be done properly?

**Mr Graham**—It is my recollection that there was not a substantial component in that \$2.4 million for reballasting or any associated drainage works that would be necessary to give the track some longevity. Reballasting and drainage works, however, are periodic maintenance programs that every track maintainer undertakes on a five or six year cycle.

**CHAIR**—We have talked largely about this Pura Pura to Maroona section. In paragraph 50 you say:

Because the track from Pura Pura to Maroona was gauge converted on timber sleepers it remains inadequate, owing to poor drainage, formation, sleeper condition, rail and rail surface condition, non resilient fastings and lack of ballast profile. Since gauge conversion, maintenance has in fact been minimal.

If it was in that sort of state at the time of the conversion, what is it like now? It must be absolutely appalling.

**Mr Graham**—It is, and bear in mind that each of those elements that are mentioned there in paragraph 50 are normal periodic preventative maintenance programs.

**CHAIR**—But isn't it past that?

**Mr Graham**—The track was in less than ideal condition at the time of gauge conversion. We are very up front in this document by saying that we, as the agent of the Commonwealth, did not have the funding to do the level of job that you would want to minimise ongoing expenditure. Bear in mind that in these circumstances you can put a lot of capital money into establishing a very good track substructure and track surface and have minimal ongoing maintenance. Alternatively, you can put less capital into the road construction and subgrade and bear the cost in increased ongoing maintenance.

The One Nation standardisation was in the latter category because, as we say, at this point in time National Rail expected to have this track transferred to our long-term ownership and maintenance. We were comfortable at that stage with the decision that we had made within the One Nation program.

**CHAIR**—Regardless of who owned it and who it was going to be transferred to, all those things were wrong. We received evidence, I think it was in Western Australia, from John Holland Constructions, that the actual profile of the rail was shot as well. We put crook rail back on—I am not saying unsafe rail. We put less than efficient wheel to rail binding or whatever the terminology is that really should not have been there. We shifted bad track onto wooden sleepers on a permanent way that was in extraordinarily poor condition. It is the worst of all worlds, isn't it?

**Mr Graham**—You have just articulated what is a microcosm of investment in the national rail highway. What you have just said is quite typical of the ongoing funding arrangements for the national rail highway at both state and federal government level. And to suggest that Pura Pura to Maroona is different from substantial parts of the rest of the infrastructure is not right. We could go to substantial—

**CHAIR**—Rightly or wrongly it has become the icon in this inquiry because so many people have referred to the generality of that area.

**Mr Graham**—It is right to regard it as an icon, and it is an icon that is the result of the ongoing lack of funding commitments and the way that infrastructure investment is planned for the National Rail highway.

**Mr McDOUGALL**—When the project was started to re-sleeper that section and change the gauge, obviously there was a set of standards set in relation to the construction of that project because it was done by a contractor. Where did you benchmark that standard to? Did you change that benchmark and those standards throughout the life of the contract?

**Mr Graham**—No, the original contract does contain the standards for things like sleeper spacing and ballast depth. I think some of that is referred to in this paper. It was not changed along the way. It was a safe construction standard. It was not an ideal construction standard by any stretch of the imagination. As I explained earlier, where you do not have the capital to build to a standard, you bear the cost in ongoing maintenance.

**Mr McDOUGALL**—From my recollection of the evidence that was given to us in Perth by John Holland, it was suggested that the project was started at a higher standard than it finished at. Because of requests from NR to get certain more work done and to speed up the project to maximise the amount of work, there was a reduction in ballast accepted towards the end of the project, so that certain work could be completed. Are you saying that is not correct?

**Mr Graham**—No, we certainly came back at the end of the project, post-John Holland, and spent considerable extra dollars outside of the John Holland project in additional ballast. What John Holland have said in terms of their contract may very well have been the case, but we came back with substantial additional funding for extra ballast, all still well below an ideal construction standard if your intent is for minimum maintenance.

**Mr McDOUGALL**—I am finding it very hard to understand why, with the amount of money that was given by One Nation to do this job to achieve a certain level of outcome that was to make rail effective, we would be going for a second-rate job to start off with. Why wasn't somebody saying, 'Look, this cannot be done; this is not adequate. Either we can't do it, and need more money, or we need more time'?

**Mr Graham**—I think you have to go back to government process that leads to these circumstances. There is a capped amount of money announced for the provision of rail works under the One Nation program. A number of specific projects were identified at the time of announcement, including the standardisation of track between Melbourne and Adelaide. When the One Nation program was announced back in February 1992, National Rail was about four days old. The estimates were not provided by National Rail. They were provided by the states. The level of estimate provided for that project was inadequate and additional funding from other parts of the One Nation program was diverted to the standardisation of Melbourne-Adelaide to allow the project to be completed to a reasonable safety standard. It certainly is not an ideal standard, nor are we proffering in our submission that it was the ideal standard.

**Mr McDOUGALL**—Could it be suggested that the idea was that we have to get this standard gauge completed by a certain date because that is the goal that has been set—that the standards may be less than we desired, but the overall goal is the job, rather than the standard? Is that what you are saying?

**Mr Graham**—The overall goal is to get the job completed to a safe and reasonable standard. In any project of this magnitude, you clearly minimise your expenditure by completing the project in the minimum period of time.

**Mr McDOUGALL**—What is the average speed that a train can operate over this area?

**Mr Graham**—I think we list some of the speed restrictions there. If you are talking about the average speed today, we are probably down to the 50 or 60 kilometres an hour and lower in some sections. It is now three years since that project was completed. The question is: has that track, in the three-year period, received adequate maintenance expenditure, given the standard that it was originally constructed to?

Bear in mind this was not because National Rail was trying to do the job on the cheap because we knew we had no ongoing responsibility; quite the contrary. Our expectation at the time was that this track was going to be transferred to our company for the long term and we would be responsible for its ongoing maintenance.

**Mr McARTHUR**—Thank you for your pretty up-front submission. Could I quote from paragraph 20 which really concentrates the arguments as we have heard them:

The track from Gheringhap to Maroona was previously a secondary line . . .

You go on to say:

The formation was built last century with poor compaction and poor drainage, and lack of drainage maintenance over years had allowed numerous mud spots to develop. Some good quality crushed stone ballast existed but was completely fouled with mud. The sleepers were timber with standard base plates and dog spike fastenings. Rail was relatively light 47 kg/metre, which had been 'cascaded' from the Albury-Melbourne line, and it was 'life expired'.

That paragraph really from my assessment is a microcosm of the debate that we have had around this table that the line was completed but it was inadequate, it was a second-hand job, and you put at risk the new concrete sleepers that are now in place because they could crack because of that background. What are you really saying to the committee? You put that on evidence; what is going to happen to that with that background? What sort of money needs to be invested and how would you handle the future problem?

**Mr Graham**—Could I start by looking at this year's most recent federal budget because I think inquiries such as this have really got to get to the heart of infrastructure investment in the national land transport infrastructure. In this federal budget, like so many before it, we are seeing \$33 million allocated to the national rail highway and \$799 million allocated to the national road system. It is that imbalance in infrastructure investment that has gone on from governments of both political persuasions over the last decade or more that is leading to the infrastructure condition that sits out there today, particularly in Victoria—and it is both the western route and the Melbourne-Albury route. It is in large sections of the infrastructure in Western Australia as well.

It is the process of allocating infrastructure investment to this country's land transport system that is the fundamental issue here. Three governments are proposing to put \$300 million into the Alice Springs to Darwin railway. How was that decision arrived at? Is it arrived at by a logical assessment of where this country's transport industry will gain economic benefit from infrastructure investment? Is it true economic analysis that is establishing that priority or is it marginal seat analysis that is establishing that priority? I think, with the greatest respect, this committee has got to get to the heart of that infrastructure investment issue. As I say, this is not a political statement; it is an issue that sits there as a policy inconsistency across governments of both political persuasions. Privatisation that is occurring now in the railway industry eliminates the age-old criticism that railway operations were subsidised by governments. That was the criticism of road, 'You are getting your share because governments are subsidising your operating deficit'. Fair comment! With privatisation, that is no longer going to be a sustainable argument, and transport policy has got to address the competitive neutrality issues between road and rail, of which infrastructure investment is but one.

As a professional railway operator I am not proud to say that we had to construct the standardisation project to the standard that we constructed it. I do recognise it was a safe and reasonable standard. I would have much preferred to be able to build a standard

that is equivalent to the funding that is available for the national road investment plan but the whole funding circumstances do not allow that.

**Mr PETER MORRIS**—Mr Graham, I agree with what you are saying. What you have here in this stretch of track is a legacy of a state run system on the length of rail. It was not really important to recycle the out-of-life lines from Albury to Melbourne across, which you say in your own submission are secondary lines. They had a bit of old gear left that was adequate for the purpose. But the problem begins in this legacy to the federal government of what were underfunded, undermaintained state railway lines. That is really the problem we are grappling with now. We are trying to catch up. Isn't that fair?

**Mr Graham**—I think that is a fair comment.

**Mr WILLIS**—I have to say that with Finance and Treasury through this period in the early 1990s to 1995, when all this was happening, it was never at any stage drawn to my attention that we were building a track for the money available which was going to mean that we would have a system with speed restrictions all over it. I find that rather extraordinary with our assumption we were building a track which would be a normal railway track.

No-one ever drew the attention of myself, and I assume various other members of the cabinet, to the fact that we were building a line which was costed originally on the basis—I think you say—of no concrete sleepers plus no upgrading formation, no drainage, no ballast, no improvement, no tamping or re-railing when the railing was totally inadequate and the whole rail bed was inadequate. It is not surprising in those circumstances that the estimate was on such an inadequate basis that we have finished up with a blow-out in costs and an inadequate job at the end of the day, which is incredibly disappointing, from the perspective we have now.

What would it have cost if we had done the job properly and set out to put concrete sleepers all the way through and improve the rail bed and provide a system without speed restrictions across Victoria? Do you have any idea?

**Dr Affleck**—We could take that specific question on notice because we have looked into that. As Mr Graham said earlier, we anticipated that we would be the owner or lessee of that track after the project was finished. Therefore, we did at that stage in 1995 and 1996 look into the costs and the scope of works that would have to be completed to bring it up to the standard we thought was desirable. We can get you those numbers, if you like.

Just going back to some of the previous discussion immediately before, we had expected that that would be the case and that we would be taking over. Therefore, it was quite acceptable to us to build it at that standard in the expectation that, over the following 18 months to two years, the situation would be rectified. In terms of your comment that

this was never drawn to the attention of ministers, I am not aware whether that was the case or not. Certainly at one stage during the administration of the program, I and other people involved in the management of the program had very regular monthly meetings with the Department of Transport, the Department of Finance, Treasury and officers from other departments as well. There was certainly nothing held back as to the way in which the program was being administered.

When we went to the stage of getting approval for the scope to be changed to include concrete sleepers over a portion of the line that had not been in the original scope, all of that had to be taken through a process to obtain approval at ministerial level. It was certainly done in a completely open manner as to the scope and nature of the job. It was made very clear at the time that the standard of track that would result from this is much less than ideal. We did everything possible by diverting funds from other sources to get it to the highest possible standard by putting in concrete sleepers. It was possible to do so within the scope of the money that we had.

**Mr WILLIS**—I would have preferred frankly, given the cap on the overall funds, to have done this job more properly than almost anything else that was done in the whole program. This was the major program that the government thought was really achieving something through the One Nation funding. The key project out of all of it was the standard gauge, so we had the national rail highway standard gauge connection for all the major capital cities on the mainland, yet we were doing it totally inadequately.

**Mr Graham**—Mr Willis, can I just emphasise a point that your question suggests I have not made adequately enough. If you bought a new car three years ago and it was now giving you problems, you could express disappointment in the original purchase, but if you had not subjected it to any maintenance for three years, then perhaps you would understand that it was not just the original purchase that was the difficulty. I think that is a very apt analogy here. Had there been an adequate standard of maintenance over the last three years, commensurate with the construction standard, there would not be the track speeds that are on there.

We, as National Rail, last financial year and this financial year will have paid \$31 million to the Victorian Track Access Corporation in access fees. Frankly, the standard of the track that is there is not commensurate with the money that has been paid in access fees by us, plus what others have paid—we are not the only operator there. It is not reflecting itself in the current condition of the track.

There is no doubt at all in my mind that there has been a deferral of preventative maintenance programs on that track because of the impending handover to ARTC—no doubt whatsoever that that is the case. There is an accrued maintenance debt that has been allowed to build up, over the last couple of years at least in that circumstance, and you cannot look back and say that what we see today is a direct result of an inadequate job being done three years ago.



**Mr WILLIS**—I accept that. To pursue your analogy, it is not just a matter of not having maintained it for about three years; it is that we bought a lemon in the first place.

**Mr Graham**—I do not agree that you actually bought a lemon. I think you bought what you paid for.

**Mr WILLIS**—It looks like a lemon to me.

**Mr McDOUGALL**—Can I come back to that point that Mr Willis asked, because I think this is vital: I am trying to find out who set the standards for the construction in the first place and who monitored those standards. Are you telling us that the government of the day, through the relevant department, agreed to the standards that that rail was built to?

**Mr Graham**—The standards that the construction was done to were standards specified in the contract by National Rail.

**Mr McDOUGALL**—Given the amount of money you had?

**Mr Graham**—Precisely—given the amount of money I had.

**Mr PETER MORRIS**—The asset belonged to the Victorian government?

**Mr Graham**—The asset belonging to the Victorian government—

**Mr PETER MORRIS**—Up to that point, it was being maintained by the Victorian government—

**Mr Graham**—That is correct.

**Mr PETER MORRIS**—Then the One Nation program came as a kind of a catch-up program to link the standard gauge across from Serviceton to Melbourne, and the amount of money was made available for that task, wasn't it?

**Mr Graham**—That is correct.

**Mr PETER MORRIS**—It was not that the task would be done. It was rather: here is a pot of money, do that; and, within the confines of that pot, these are the works that can be undertaken. Is that the basis upon which those standards were set?

**Mr Graham**—That is correct.

**Mr PETER MORRIS**—Can you say that a bit louder?

**Mr Graham**—That is correct.

**Mr McDOUGALL**—What was the priority in that? To simply create the rail to a standard gauge or to build a track to a certain standard? To build a total—

**Mr Graham**—It was to standardise the track. There was never ever, in anyone's contemplation in setting the One Nation program, an intent to rebuild a standard gauge railway. It was a gauge conversion project; it was not a reconstruction of the standard gauge railway.

**Mr PETER MORRIS**—If you look at the sections within the line, and coming back to your economic analysis, what kind of economic analysis do you make of the investment that is in that line or the investment that would be required to bring it up to a standard that is desirable—say, concrete sleepers and no traffic restrictions? What kind of return on that investment would you expect? You have done some sort of analysis, haven't you? I think it is one of the poorer returning sections, isn't it?

**Mr Graham**—That economic analysis, as I understand it, is being undertaken by ARTC and the Commonwealth department of transport in the context of the \$250 million that has been allocated over the next four years for rail infrastructure.

**CHAIR**—Is \$250 million enough?

**Mr Graham**—We, ourselves—

**CHAIR**—Please be frank. We have asked you to come back to be frank.

**Mr Graham**—I think the question itself underscores the need for the process that I was attempting to articulate earlier. It would be quite unreasonable and biased of me to put forward to this committee any sort of a proposal for capital funding that was not subject to the economic analysis—and I am talking here about the broader economic analysis—that should be applied to both road and rail funding.

**CHAIR**—We keep coming back to this point; but I have said to some of the witnesses—and I say it now to you—that, if we are ever going to get a national track from Brisbane to Perth that is going to work, doesn't it require some sort of leap of faith that brings the whole track, or as much of it as possible, to a reasonable standard? I am talking not about a super-duper European standard, but a reasonable standard. I do not know if any economic studies today would show the track in its current condition as being retrievable, unless there is some sort of over and above funding. But what we need to know as a committee is that, if we recommend another lot of funding as with One Nation, we will not repeat the mistake. There needs to be a set standard—an achievable standard—that is met.

I know you have agreed to send us figures. We have heard that double-stacking could occur between Melbourne and Adelaide and eventually Perth, if there were some work done in the Adelaide Hills on some bridges and tunnels. It seems to me that there are a lot of incremental things that could be done that could make that whole thing more attractive—a mixture of better maintenance in the areas we are talking about and some strategic placement of facilities on the rest of the track. Give us your feel for that. What does it need to make it efficient?

**Mr Graham**—Following the One Nation program, National Rail undertook a fairly comprehensive review of what the next phase of investment program should be. Back at that time, the total dollar value of that program was some \$720 million. Because of the separation of infrastructure, we have not done a lot more work on that since, but we would be more than happy to provide your committee with a copy of the paper that was done.

Within that, let me identify what we would see as the priorities. The first priority must be safety, and right now we have extraordinary concern about the brittleness of the safe working system between Adelaide and Perth. We have made that concern known, as input to the priority allocation of the \$250 million—

**CHAIR**—What do you mean by ‘brittleness’?

**Mr Graham**—The current safe working system out there is a train order system. In our view, it relies far too heavily on the human factor. It is fair to say that this is a safe working system that is in place in other parts of the world, but it is not, in my view, the safe working system that is appropriate for today, given the technology that is here today. We ourselves have been involved in three serious mainline accidents over the past four years on that corridor, one of which resulted in a double fatality. Our view, as the largest national operator, is that that should be an absolute priority for the allocation of funding.

The second area of concern that we have is bringing the current track up to a standard to allow it to operate at the standard for which it was originally designed—in other words, to correct the longer-term maintenance and neglect. I am talking here about the network completely. Specifically, I would identify the western route in New South Wales, the western route in Victoria, the Melbourne-Albury route in Victoria and a significant section of the interstate route in Western Australia as fitting that category.

We would see, as part of that second priority, the funding of longer loops so that we can take advantage of new locomotives and run significantly longer trains. We are doing that: 12 months ago, the longest train we were operating Melbourne-Brisbane was 600 metres; today, it is 1,300 metres. If we can operate trains above 1,100 metres in length, we get a cost structure that competes with B-double road trucks. That is a very important competitive break-even point. We have the horsepower in our locomotives to go to 1,500-metre trains and we want to maximise that competitive cost advantage.

**CHAIR**—Are those loops included in that \$750-odd million that you were talking about?

**Mr Graham**—Yes, they are; and they are such a priority that we—

**CHAIR**—That was your minimum benchmark to get the track up to some sort of acceptable standard?

**Mr Graham**—Yes.

**CHAIR**—Does that include the \$250 million already made available by the government, or are you talking about over and above the \$250 million?

**Mr Graham**—Whatever the amount of money is, these are the priorities that we would have for \$250 million.

**CHAIR**—What is the gross amount required?

**Mr Graham**—I think our priorities 1 and 2 are still within that \$250 million. Over and beyond that—

**CHAIR**—But you want \$500 million beyond that, in round figures?

**Mr Graham**—Yes, in 1995-96 dollars. Other projects cater for the double-stacking between Melbourne and Adelaide, and the centralisation of some dozen train control systems that are out there, with 18 different radio frequencies to control the national network, and all of those third-priority issues are issues that should be subject to robust economic analysis to justify them.

**CHAIR**—I want to get this point quite clear. Could you encompass all those things you have talked about now within about \$750 million, if it were available tomorrow?

**Mr Graham**—We will provide you the project by project detail of what we estimated those projects would cost, post One Nation.

**CHAIR**—Okay, could you do that? Also, while you are about that, could you give us an update for the week beginning 17 May of the speed restrictions given to drivers for Adelaide-Melbourne, Sydney-Melbourne and Sydney-Brisbane? We are running out of time, and I would now like to swing on to a couple of other points. We have had some fairly serious criticism of NR's terminal at Islington.

**Mr WAKELIN**—Excuse me, Mr Chairman, how much time do we have? I have at least three questions. I am wondering what the time lines are.

**CHAIR**—Okay. We are supposed to finish at a quarter past the hour, and I suppose we could stretch it to twenty past. Tollrail said in their submission that they can have a vehicle leave their freight forwarding terminal and go to the rail terminal half an hour down the road, be unloaded and be back to Islington in the same time that it takes a toll vehicle to go next door to NR and do the same function. What is your comment on that? We got a lot of criticism over all of the terminals, but this one in particular stood out as being part of the malaise that is affecting rail in general and is deterring private operators from coming into the business.

**Mr Graham**—Fortunately, the systems that we have in place now at every one of National Rail's terminals are fully computerised. The customer is able to book the container through the Internet on our FreightWeb system. The moment that that truck driver arrives at an automated gate, he punches in the appropriate trip number for the container that he is bringing in. From that point, every aspect of that container's handling and of the truck movement in the terminal is monitored through the computer system. We are able to produce hourly, daily and weekly reports—by customer, right down to the registration of the truck—on truck turnaround times. I would be delighted to provide to the committee the hard evidence of the average and 90th percentile truck turnaround times in the Islington terminal.

**CHAIR**—So Islington is not the black spot it has been painted?

**Mr Graham**—It is certainly not the black spot.

**CHAIR**—Could you give us those figures, too?

**Mr Graham**—We could, and might I add that the most serious terminal issue that we have in National Rail is the Sydney terminal. We have for the past two years been going through an environmental approval process that has had its own commission of inquiry for all of the environmental issues. We are getting fairly close to that and we are targeting \$40 million worth of investment.

Ninety per cent of trucks arriving at the Islington terminal are turning around—this is gate entry to gate departure—within approximately 40 minutes. Bear in mind that some of those trucks are bringing in two 20-foot containers and picking up one other container, so sometimes we are dealing with three container transactions for the one vehicle, from when it enters until when it departs. We have to allow the factual evidence to speak for itself, and we would be delighted to provide that.

**Mr WAKELIN**—I want to start with the Alice Springs to Darwin issue, and you made the point about the \$300 million. I am not aware of a federal marginal seats campaign, and I have got to put that on the table. You know where my seat is. I am interested to know how the process works. I will add that the main drivers of the Alice to Darwin railway project have been the states and the Northern Territory, as you would be

well aware. I would be interested in your response to that. That leads onto the question about track access and the \$31 million in Victoria. How much would you pay in New South Wales in track access?

**Mr Graham**—About a similar sum of money.

**Mr WAKELIN**—How much of that is going back into track maintenance? You indicated that not that much was going into maintenance.

**Mr Graham**—None.

**Mr WAKELIN**—We will go that far on the evidence of the marginal seats campaign—and I am not offended in any way by the comment because that is a fair comment in a political situation—about the decision for an Alice to Darwin railway line. Where do you believe the pressure came from for that decision, and then relate that back to where the states, Victoria and New South Wales, are actually spending that track access money? I have got one more question on track access after that.

**Mr Graham**—Let me deal with the Alice Springs to Darwin question. My understanding is that three governments are intending to commit \$100 million. The Commonwealth is intending to commit \$100 million to that project.

**Mr WAKELIN**—That's right.

**Mr Graham**—My criticism is the process that has led to that commitment of \$100 million. Is it the result of a national land transport plan that has seriously looked at the priorities for infrastructure investment in this country, or has it got to do with some other political process? You are the members—

**Mr WAKELIN**—My direct question is: were the states driving it or was the Commonwealth driving the process? I accept there is a political process. This process today is part of a political process. We have got to be a little more specific in the sense that that decision was predominantly driven by the states and by the Northern Territory, and that the decision came from another fund, the Federation Fund, which was not related to transport. The point is that it is not related to transport. What I am trying to say to you is that rail has been driven by the states. Your point about not fixing up Victoria or New South Wales is because reinvestment or maintenance is not being done by the states. That is the key question.

**Mr Graham**—I come back to the fundamental point I am making there. There is no national land transport plan that is prioritising investment in this country's land transport infrastructure. A Federation Fund and other electoral or political allocations of money are probably always going to be with us in a democracy. The stark contrast is when you have that political process but you do not have the sound logic of a national

land transport investment strategy. I can accept there is always going to be a political process but I cannot accept the lack of a sound land transport policy as the basis for infrastructure investment.

**Mr WAKELIN**—It is said that, in New South Wales, some of your loss is actually in subsidising the freight rate to pay the New South Wales track access. Are you aware of that statement?

**Mr Graham**—No, you might direct me to it.

**Mr WAKELIN**—SCT said that NR is operating at a loss. It said that, instead of there being a low access rate, NR was bearing a loss, that they came in with a \$50 million loss. It said that SCT was subsidising its freight rate to pay New South Wales its track access rate.

**Mr Graham**—When National Rail was formed, the interstate rail transport business, according to Bankers Trust, who did the assessment, was losing \$260 million per annum. National Rail was actually formed by agreement with the Commonwealth and all the mainland state governments in order to address that. The annual reports that have been produced identify that extraordinary progress has been made, to the point where, at the end of this financial year, having started with a \$260 million cash loss, I believe National Rail will be cash positive for this financial year, bearing in mind all government restructuring support ceased in February of this year.

Probably the simplest way to answer this question is that, in New South Wales, we pay the lowest track access fees of all of the five jurisdictions we operate in. If we have agreed to something higher in New South Wales, it is certainly less than what SCT themselves have negotiated as their track access fees in Victoria, Commonwealth Rail—Territory and Western Australia. If they are paying substantially higher in those three territories—and they are—then I do not understand the criticism of what we have negotiated in New South Wales.

**Mr McDOUGALL**—It has been put to us by the other access operators that they will not go on the Melbourne to Brisbane corridor, because of the access regime offered by New South Wales, but that they will use you instead, because it is more economical to do so, and that if that means you run at a loss, they will not worry about it.

**Mr Graham**—Put it in the context that rail access charges represent 25 per cent of the cost structure of our company—and probably of any other access provider—so the 10 or 15 per cent on rail access charges that they may be talking about is insignificant. The truth is that, on the east coast of New South Wales, you either run a 1,100- or a 1,200-

metre train or you do not have a total cost structure that allows you to compete in the market. We are competitive on that corridor because we have the volume to operate daily trains of 1,100 and 1,200 metres. That comment that has been made is a commercial nonsense.

**CHAIR**—I would like to keep this discussion going, but there is one area in which we would like to have some comment from you. I will get the secretariat to pass the question on to you. There has been some talk that, to put it bluntly, you played dog in the manger with some rolling stock and that there is rolling stock which is rusting away at sidings and depots. Do you intend to make this available to the public? What is your response to the criticism? Are you prepared to sell the rolling stock? We do not have time to go into it.

**Mr Graham**—Let me give you 30 seconds on it, because I think I can deal with it. The ELs are not nominated by National Rail, do not belong to and will not be transferred to National Rail. Kerry Packer bought the television rights to the Ashes series test cricket last summer. Even though he did not want to show it because of other program commitments, he refused to give it to the other commercial channels to show. The justification for that was that that was a commercial decision. We certainly have had, in different periods of the year, idle rolling stock assets, many of which were not idle during the recent MUA dispute. Indeed, we had all our available wagons in service during that period.

I do not regard National Rail as an arm of the social security department. We are not there to provide our commercial assets for use by our competitors simply because our assets happen to be idle at some point in time. That is just a straight commercial decision. If we have competitive advantage because of our ownership of those wagons, we will exercise it, just as Channel Nine exercises a competitive advantage over owning telecast rights.

**CHAIR**—Thank you. That is a very good response. We may have missed a few things today. Would you be prepared to provide those in writing if we came back to you?

**Mr Graham**—Certainly.

**CHAIR**—I thank you for your frank evidence. If we were a little more probing than we normally are, it was because this has been a sticking point in all the evidence we have had. As I said to you before, it is a bit of an icon. I appreciate the fact that you came back and the frankness of your response. We would appreciate a follow-up to those items and such other items that we might put before you.

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

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

**Committee adjourned at 11.21 a.m.**